

THE AWARD-WINNING INDEPENDENT: EDITOR OF THE YEAR, CORRESPONDENT OF THE YEAR

THE INDEPENDENT

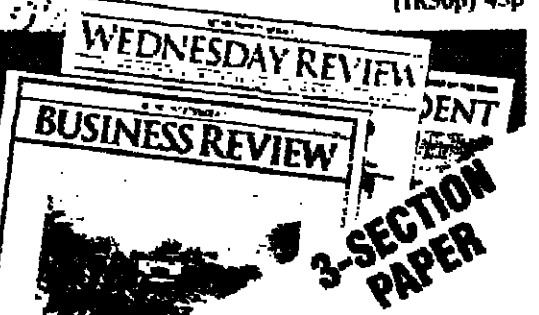
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(1RS0p) 45p

NEW BUSINESS REVIEW

THE STAGECOACH KID GROWS UP THE CYBERPUNKS FROM YAHOO! PLUS NEWS, ANALYSIS, INVESTMENT ADVICE



Defiant Serbs torch villages as Europe braces itself for war

KOSOVO WAS where the 20th century's final cycle of Balkan wars began. Now Kosovo is where they will end; not with a peace agreement but, surely now, with the first attack by Nato on a sovereign state in its 50-year history - and, if the worst comes to the very worst, with the first major European land war since 1945.

Last night, as Serb forces continued to sack Albanian villages, the final realistic chance of averting allied airstrikes against Yugoslav targets vanished as first President Slobodan Milosevic, and then the Serbian parliament, rejected demands for a ceasefire and the deployment of a Nato-led international peacekeeping force in the Serbian province.

In further confirmation that war might be at hand, Vukobrat Primakov, the Russian Prime Minister, cancelled a visit to the United States which was due to start last night. The onslaught, which the White House said would be "swift and substantial", could be unleashed as soon as early today.

In a grim interview as he left Belgrade for Brussels to report back to Nato, the US envoy, Richard Holbrooke, made no bones of the failure of his last-ditch mission. The circumstances, he declared, were "the bleakest" he had known in his experience of negotiating in the Balkans.

That experience began in 1995, when Mr Holbrooke took the Bosnia crisis in hand, browbeat Mr Milosevic and the other protagonists to the conference table in Dayton, Ohio, and secured a peace which has turned Bosnia into a virtual Nato protectorate. Alas, Kosovo was omitted then. Four years on it has turned into perhaps the gravest Balkan conflict of all.

Mr Holbrooke said that yesterday's talks had been a "watershed moment", after nearly a year of unavailing Western efforts to broker a settlement between ethnic Albanians and Serbs. The Yugoslav President did not want even to discuss either the ceasefire or the foreign peacekeeping force, and "fully understood" the consequences of that refusal, he added. In other words, the time for talking has run out.

That, too, was the message from Western capitals. In the Commons, Tony Blair warned that 65,000 more Kosovars had been driven from their homes by the Serb offensive. The West had made a solemn promise to the ethnic Albanians, and would not permit a new humanitarian disaster in Kosovo. Nor would it tolerate further repression by Belgrade that would probably drag Albania, Macedonia and Bosnia - perhaps Greece and Turkey, too - into "disintegration, chaos and disorder on the doorstep of the European Union".

Later, the Prime Minister even more plainly donned the mantle of commander-in-chief, addressing "those British pilots who may be called into action, their families... all those people who are part of the armed forces... I would not ask them to undertake this if I did not believe it was necessary".

In Washington, the mood was equally sombre. Congressional

BY RUPERT CORNWELL

almost mocking intransigence, earlier waverers in the alliance - such as Italy, Germany and Greece - seem to have thrown their weight, however reluctantly, behind airstrikes.

"Nato is now united and prepared to carry out its warning," President Clinton said. "If President Milosevic is not willing to make peace, we are willing to limit his ability to make war."

The threat has been heard a dozen times this time, however, it rang true - perhaps explaining why the Yugoslav leader yesterday sacked his army's security chief. Analysts saw the step as confirmation of a purge of senior officers opposed to a confrontation with the West.

Last night, the main political factor staying Nato's hand disappeared when Mr Primakov, leader of the country which is Belgrade's staunchest ally and categorically opposed to Nato airstrikes, called off his US visit. To have launched attacks at the very moment that Mr Primakov was in the Oval Office would have been an insult which even the present state of the US's relations with its former superpower rival would hardly justify.

Otherwise, military preparations are virtually complete. The hope now is that one crushing blow against key military installations will suffice to convince President Milosevic to change his mind and accept the international peacekeepers.

If not, matters could quickly escalate, even to the point where a Nato ground invasion - something the allies have vowed they will never do - was the only option left. That is a nightmare scenario which no leader in the alliance has yet publicly confronted, but was implicit in the warning of one Nato defence minister visiting London yesterday: "Kosovo is not Bosnia. It needs a political solution, a military solution does not exist."

But in the end, that solution will be up to Mr Milosevic. In 1987, as an ambitious younger member of the Serbian Communist Party's central committee, he went to Kosovo, the spiritual cradle of Serbia, and made the speech that launched today's Serbian nationalism. Two years later he stripped Kosovo, and the 90 per cent ethnic Albanian majority of its population, of its autonomy. By then, Croatia, Slovenia and Bosnia had read the Serb writing on the wall, and left Yugoslavia. But Kosovo, where it all started, remained a tightly controlled part of Serbia. Now, in the last Balkan war, Serbia may lose even its heart.



A Serb policeman in the Drenica region of Kosovo during clashes with Albanian rebels yesterday. Srdjan Ilic/AP

'We're waiting for the bombs'

BY EMMA DALEY in Pristina

WAR CAME to the capital of Kosovo yesterday for the first time since the conflict began in the rolling hills a year ago, as Serb police surrounded Albanian neighbourhoods, smashed down doors in search of weapons and beat any men unlucky enough to be found.

Pristina was crawling with armed police. We decided to drive north. A few miles away, we spotted houses ablaze on the hillside and stopped, just as 50-odd dilapidated army vehicles rolled by. A soldier in a black mask, atop an armoured personnel carrier, flashed us the three-fingered Serb salute. He was all smiles. But then a car screeched to a halt and out jumped a civilian armed with a Kalashnikov. "It's OK," we said, as calmly as possible. "We're journalists." He inspected our Yugoslav press cards, and then waved us on.

Fear is not confined to the Albanian population in Kosovo. The Serb minority lives here in terror of the KLA. But most of the victims are Albanian. The red-tiled houses on the southern edge of Pristina were emptying last as families left, carrying back-packs and plastic bags, to the sound of artillery booming to the west.

But Mustafa Pacoli lay under a blanket, unable to move after a visit from the police. He is 82.

"They hit him on the head with that," his daughter Sevdije said, pointing to a small wooden table. "They were shouting, 'Where are your sons? Where is your gun?' Your sons are in the KLA."

Back in Pristina, two Serb policemen killed by the Albanians were buried. "The situation is explosive, everyone is waiting for the (Nato) bombing," said Malik Gashi, at the funeral of Armanit Kelmendi, an Albanian killed in a retaliatory attack on a cafe.

"When the Serbs leave a place they always destroy it first... I'm afraid they will do it in Kosovo."

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Cardiff	11.00 AM	11.00 AM
Edinburgh	11.00 AM	11.00 AM
Glasgow	11.00 AM	11.00 AM
London	11.00 AM	11.00 AM
Manchester	11.00 AM	11.00 AM
Newcastle	11.00 AM	11.00 AM
Nottingham	11.00 AM	11.00 AM
Sheffield	11.00 AM	11.00 AM
Southampton	11.00 AM	11.00 AM
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Traditional British products will suffer if the American trade ban bites

Little men are the losers in US game of tit-for-tat

IT IS a classic example of what can happen when a couple of playground friends fall out. One child hits another; the other hits back where it hurts. And these are precisely the tactics to which the United States has resorted in the continuing transatlantic trade war with its closest political allies.

Angry about a long-standing European Union ban on hormone-treated American beef, Washington has threatened to slap a punitive import tariff of 100 per cent on a catalogue of European products.

This is no random list. American trade officials clearly gave careful thought to selecting traditional products that would cause the most upset to EU member states.

French truffles, Dutch cut flowers and Spanish tomatoes are among the exports which



Roger Knowles, chairman of Woods of Windsor, which makes perfumes and toiletries, says the proposed tariffs are 'absurd' Brian Hall:..

will be in effect frozen by the crippling duties.

In the case of Britain, products close to the national heart – such as English mustard, liqueur allsorts, bacon and raspberry jam – were chosen. Hundreds of companies around the country, both large and small, will be affected. In the case of smaller businesses, the American move could jeopardise their survival.

The provisional list, announced on Monday, comes on top of products already affected by a parallel row with the US over European imports of bananas. These items include perfumes, bath oils and cashmere sweaters.

American officials are unabashed about their strategy and made clear yesterday that it was a tit-for-tat aimed at forcing the EU to revoke the 10-year-old ban. They say that beef from cows injected with growth hormones is perfectly safe. The EU is not yet convinced, although Britain has no objection to its import.

Jay Ziegler, spokesman for the Office of US Trade Representatives, told BBC Radio 4's Today programme: "Our hope is to provide an impetus for member states of the European Commission to come to the negotiating table and reach an effective compromise."

"This list has been drawn up with the idea of encouraging the member states to focus on the importance of reaching a negotiated solution. We are using our market leverage to send a very clear signal that if the European Union is unwilling to open its market, we will retaliate with action in kind."

British businesses, meanwhile, are at a loss to understand how they have become embroiled in an esoteric trade dispute with no relevance to the products that they send across the Atlantic.

Peter Cook, joint managing director of Tiptree Jams, a small Essex-based company that has been exporting its products to the US since early this century, said: "We are caught up like minnows in a pond while the politicians play games with us. The list is very odd. It seems to have been drawn up with no rhyme or reason. Why is only raspberry jam affected and no other jams?"

Certainly, the list of threatened goods makes for strange reading. It encompasses a whole range of meat products, such as "edible offal of bovine animals, fresh, chilled or frozen", and also lists "guts, bladders and stomachs of animals (other than fish), whole and pieces thereof".

More bizarrely, it also includes onions "other than onion sets, or pearl onions not over 16mm in diameter", dried carrots, corned beef, cough drops, yarn (but not sewing thread), motorcycles with 50-250cc engines and "hair clippers, with self-contained electric motor".

Roger Knowles, chairman of Woods of Windsor, a family perfume and toiletries company that has been trading since 1770, said: "They seem to have plucked out the victims at random. The list is an absurd mixture."

His company was hit by the earlier banana row, which led to the US imposing heavy duties on European luxury items. Bubble bath was deemed by the US authorities to be a luxury.

Mr Knowles said: "We have won the Queen's Award for exports twice. The failed politicians who run Europe should be helping, not hindering us."

Yesterday there was more bad news. A large American group telephoned to cancel a £100,000 order for moisturising bath and shower cream.

Brett Bateman, managing director of Woods, said: "The Americans are very keen on quintessentially English products like ours. But they were not prepared to take the risk of having to pay the tariff once we had delivered them."

Manufacturers of traditional British confectionery, such as Terry's Chocolate Oranges and Trebor Basset's Liqueur All-

A TRADE BATTLE ON TWO FRONTS

A BEEF WAR has been threatened by the US because Europe has banned the sale of beef from hormone-treated cattle. The US Food and Drug Administration (FDA) has approved the use of six hormones to boost cattle size. The US protested to the World Trade Organisation (WTO) that the ban was unfair. The WTO sided with the US. In 1997 it gave the EU 15 months to find scientific evidence against treated beef.

That deadline expires in May. Though fears remain that traces of the chemicals could linger in the meat on sale, the EU has offered no proof.

Plans to label the meat have been rejected by the US. Europe says it will not have a decision by May.

As a result, another front has been opened in the trade war, which could affect exporters of \$300m (£187m) of goods from Europe to the US.

THE BANANA WAR stems from a ruling by the WTO in 1996 that Europe must stop favouring its former colonies in the Caribbean.

The US had protested to the WTO that these islands – whose economies often depend on the banana trade – were being given an unfair advantage over often cheaper producers in Central and South America.

However, Europe says that 78 per cent of its banana imports already come from South America.

This had led critics to claim that the US stance is more about flexing its muscles against a powerful European trading bloc than about the principle of free trade.

Last month the US instituted 100 per cent tariffs on a range of European imports, worth £365m. This move has hit, among others, makers of British cashmere sweaters.

CHARLES ARTHUR

Why prosciutto and bananas just don't mix in Little Italy

BY DAVID USBORNE
in New York

THERE IS nothing wrong with prosciutto ham made in America, according to Luigi Di Palo. It is just that prosciutto made in Parma, northern Italy, is... well, better. In Italy, the hogs live a little longer, so the hams are larger. They are fed a richer diet, which gives the meat a sweeter taste.

Luigi is joint owner, with a brother and a sister, of Di Palo's, a purveyor of imported Italian fare on a street corner in Manhattan's Little Italy. Crammed with cheeses and cured meats, it has been a shrine to discerning – and homesick – Italian Americans since his grandparents opened it in 1925. He offers me two prosciutti to sample. Even I can tell the difference.

Luigi has good reason to be concerned about prosciutto and two other staples of his shop. They are pecorino cheese – he has 88 varieties, all from Italy, ranging from the delicate and very young to the aged, much sharper pecorino that is mostly used for grating – and also Italian biscuits, including biscotti. His worry is that all these products may be about to become seriously expensive, to the point where even his most loyal customers may feel they are too costly.

This is due to the spat between Washington and Brussels over EU policies that favour Caribbean and African bananas over those from American companies. The US threatens to impose 100 per cent tariffs on a range of "luxury goods" from Europe – among them a good portion of what fills Luigi's shop.

"Prosciutto, pecorino cheese and biscotti have nothing to do with luxury," Luigi insists, with a sweep of the hand around his miniature shop, which is solid with patrons. "These are necessities for Italian families. It is not a gourmet item to have

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Otters to be tempted back to the river Thames

A PROJECT to tempt otters back to the Thames was launched yesterday by Sir David Attenborough, the wildlife broadcaster, and Michael Meacher, the Environment minister, who posed with two tame otters near Maidenhead in Berkshire.

It is hoped that by improving the riverside habitat and water quality, the three-year, £170,000 scheme will encourage the mammals to return to the river and its tributaries in Surrey, Berkshire, Buckinghamshire and Oxfordshire.

Wild otters were last resident in the Thames region in the 1970s, before intensive agricultural pesticides and damage to their habitat led to their decline.

Signs of otters have been found in the area in recent years, suggesting that a small number of transient otters are seeking territories in the Thames region.

Local people will be involved in recovery efforts and in raising awareness of the plight of the otter.

Sir David said: "The otter is

BY LINUS GREGORIADIS

one of our most enchanting animals. Everyone will benefit if we succeed in this. It is a chance for us to put right some of the damage done to our wildlife."

Between the late 1950s and the 1970s otters were brought to the verge of extinction by a mixture of hunting, pollution and encroachment on their environment by expanding towns.

Contamination by agricultural pesticides and fertilisers was pinpointed as one of the main causes of the decline, causing fish stocks in rivers to dwindle and starving otters from their natural habitat.

Conservation efforts over the past 20 years have seen the British otter's fortunes restored, with numbers reaching 3,000. The Government has pledged to reintroduce the otter to all its pre-1960 habitats by 2010.

The scheme is part of the National Otter Biodiversity Action Plan, which was launched last summer.



Sir David Attenborough holds an otter at the launch of a campaign to counteract pollution and restore the animals to their former riverside habitat

Dylan Martinez/Reuters

Spending watchdog attacks IT 'chaos'

THE IMMIGRATION service was reprimanded by the Government's spending watchdog yesterday over a computer system which has sunk the department into chaos.

A "too ambitious" £77m private contract to install the system at the Immigration and Nationality Directorate (IND) has led to months of delays for thousands of applicants, including international business people, foreigners living in the UK and individuals requiring work permits.

The National Audit Office (NAO) said in a report that government departments should carefully consider whether such computer projects were achievable, even where prospective suppliers made enthusiastic bids for the work.

The immigration department's computer project is already lagging 14 months behind schedule and is unlikely to be fully operational until next year.

The delay, which has been exacerbated by the problems of relocating the IND's offices in Croydon, has infuriated the Home Secretary, Jack Straw, who told MPs this week that he "deeply regretted" the deterioration in the immigration service. He said the problem was the greatest managerial challenge faced by the Home Office.

Mr Straw, who visited the IND yesterday, has told the private contractor, Siemens Business Services, to draw up a plan to deal with the delays.

The aim of the Siemens project, which was agreed in 1996, was to switch from a paper-based to a computer-based system to speed up decisions on immigration and asylum cases.

The IND employs 1,400 and spends £67m a year dealing with 400,000 cases.

BY IAN BURRELL
Home Affairs Correspondent

The NAO report found that problems with the computer project began after it was decided to abandon plans to use existing information technology packages and instead introduce tailor-made software. This meant that the introduction date was put back to June 1999.

The report warned that there could be more problems if the timetable slipped further because most of the limited software in use by the directorate was not year-2000 compliant.

Sir John Bourn, head of the NAO, said: "There are many examples of bespoke projects such as this one which in retrospect can be seen to have been too ambitious, despite there having been enthusiastic bids for the work from prospective suppliers."

David Davis, chairman of the Commons Public Accounts Committee, said the IND was in "chaos". He criticised the decision taken by the Immigration minister, Mike O'Brien, to move offices, implement business changes and complete the computer project at the same time.

He said: "Whilst there has been a substantial transfer of risk to the contractor, ultimately, if the project is delivered late, or not at all, the taxpayer will foot the bill."

The problems come as the Immigration and Asylum Bill is going through Parliament, with proposals for the biggest shake-up in the immigration system for decades, involving an overhaul in the organisation and working methods of the IND.

However, if the IT project is successful, it will bring substantial savings, the report said.

IN BRIEF

Toll road victory claimed

THE BUILDERS of Britain's planned first tolls motorway claimed victory in the Court of Appeal yesterday over campaigners trying to stop the Birmingham Northern Relief Road. Tom Smith, managing director of Midland Expressway Ltd, said court rejection of an appeal by the campaigners removed the final obstacle to construction.

Third pupil dies from meningitis

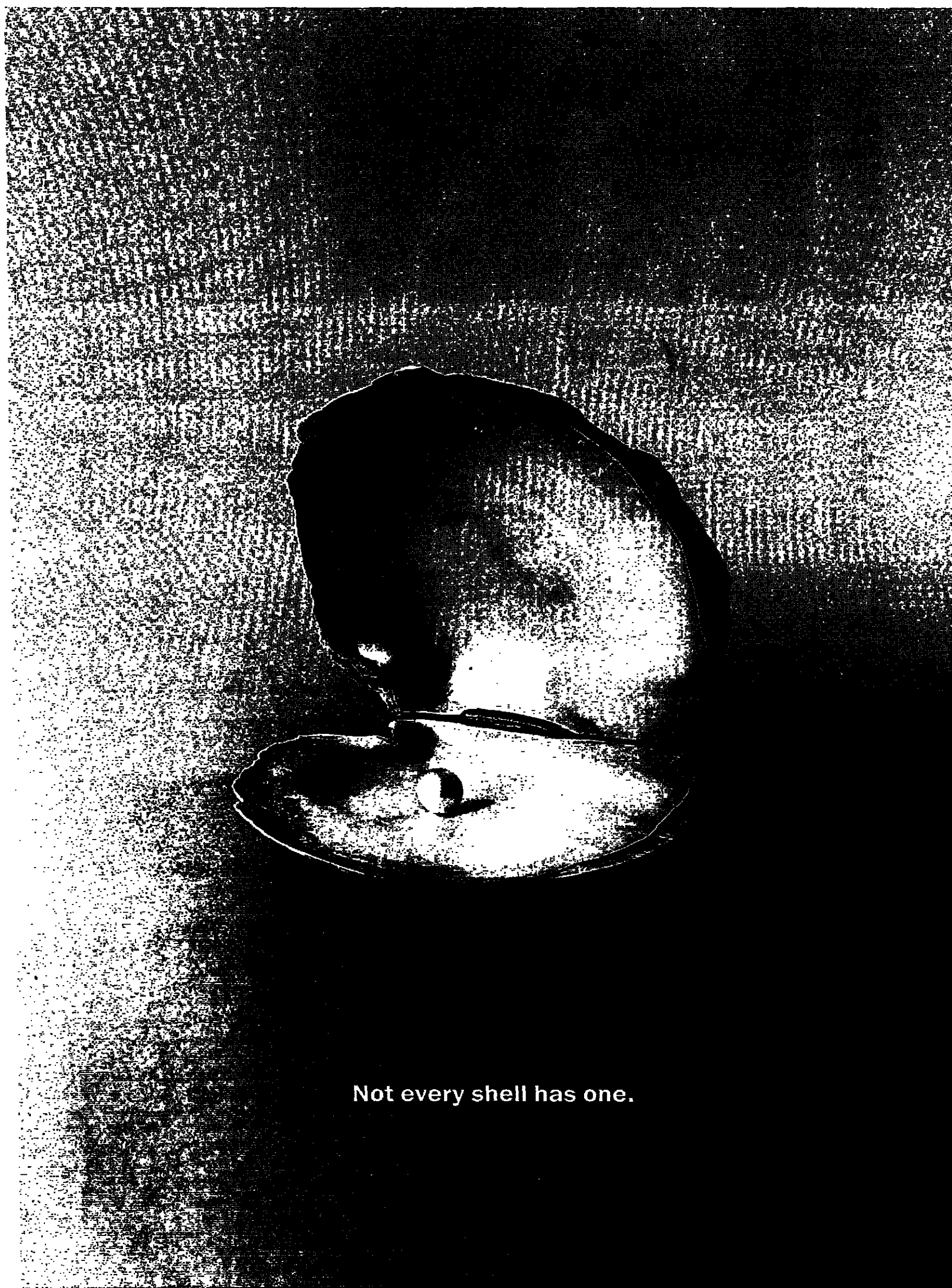
A THIRD pupil from the same school has died from meningitis in 15 months. The teenager, who attended Notre Dame High School, Liverpool, died yesterday. Health officials said the schoolgirl's death was an isolated case. Pupils boycotted classes at the school after the deaths of Michelle Fleming, 14, and Kelly King in December 1997 and January 1998.

Second test tube baby at 55

A WOMAN who lied to doctors about her age to become Britain's oldest test tube mother three years ago has had a second child at 55. Pauline Lyon, from March, Cambridgeshire, gave birth to a boy at Hinchingbrooke Hospital in Huntingdon on Monday. She gave birth to a daughter, Lauren, a month before her 52nd birthday.

Chocaholics get taste for reading

A NEW magazine was launched yesterday devoted to chocolate. *Chocolate Magazine's* editor said Britons were the world's second largest purchasers of chocolate - after Switzerland - and the journal would cater to that interest.



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Anita Froggatt who had one of her healthy breasts removed with her husband Phil Spencer/The Mirror

Breast removed after lab mix-up

A WOMAN who had a healthy breast removed after being told mistakenly that she had cancer was the victim of a mix-up of slides in a laboratory, a hospital said yesterday.

Anita Froggatt agreed to undergo the mastectomy at the Chesterfield Royal Hospital after analysis of a lump removed from her right breast apparently showed it was malignant. Two weeks later it emerged that the slide with her healthy breast tissue had been confused with the slide of another woman, who had cancer.

Yesterday the hospital said it took full responsibility for the error and that it was investigating how it had happened. A member of the laboratory staff has been suspended on full pay.

Christopher Day, medical director, said: "We acted immediately and saw the patient as soon as this error came to light. It is a tragic situation and

we take full responsibility. We have given her a frank explanation of events and, of course, a full apology."

Mrs Froggatt, 28, who has a 10-year-old son, told The Mirror that she was still "too shocked by the news of the unnecessary operation to be angry. She said: "I can never forgive them for this. They have robbed me of my womanhood. It's unthinkable what they've done to me, and it's all for nothing."

She added: "It's unbelievable how one lab technician's work can sail through as gospel without being checked and checked again before such drastic surgery. It beggars belief. You trust the NHS. You believe what you're told."

She has lost her factory job since the operation, which in-

cluded removal of the lymph nodes in her armpit, because movement of her arm is now restricted.

The hospital said that it would not contest a claim for compensation, which some estimates have put as high as £500,000.

Phil Bowen, a solicitor who is representing Mrs Froggatt, said: "In many years of dealing with medical negligence claims, this is undoubtedly the most appalling case that I have experienced."

"The distress which has been caused to Anita is unimaginable. To even begin to recover from this traumatic experience my client will require counselling and reconstructive surgery."

"Both Anita and myself would wish to make it clear that this is an unusual mistake and neither of us would wish this to affect the use of the breast

screening service by any woman who discovers a lump in her breast."

In the past, patients have had limbs wrongly amputated but greater precautions are now taken and these errors have been eliminated. In the early 1990s, healthy patients in Birmingham were wrongly diagnosed with bone cancer and underwent chemotherapy as a result of errors by a pathologist in reading tissue samples. But breast cancer charities said yesterday that they had not heard of slides being mixed up in a laboratory before. A spokeswoman for Breast Cancer Care said: "It is absolutely horrifying. With today's health care and the screening available, nothing should go wrong."

The hospital said that the other woman in the mix up had received the correct treatment because her slide was not misread.

Smokers killing 125 babies a year

PARENTAL IGNORANCE about passive smoking causes 125 cot deaths a year, a leading expert claimed yesterday.

Research released in a campaign to make parents aware of tobacco smoke damage to infant health showed only 7 per cent of parents knew of a link between cot death and passive smoking.

"Cot death still remains the main cause of death for babies over one month old," said Joyce Epstein, secretary-general of the Foundation for the Study of Infant Deaths. "It takes nine lives a week. We are shocked hardly anybody is aware we can cut cot death by cutting smoking."

The latest figures show a baby is eight times more likely to succumb to cot death if both parents smoke.

The Gallup survey of 2,000 people commissioned by the Doctor Patient Partnership, which is leading the campaign, showed the majority of parents were also unaware their smoking increased their child's like-

lihood of having chest infections, asthma - and becoming a smoker. Only 41 per cent thought passive smoking affected childhood asthma, only 22 per cent believed it increased risk of chest infection. Just 13 per cent thought it encouraged children to become smokers.

The research findings are very different: 74 per cent of children say smoky places make their asthma worse, passive smoking doubles the risk of acute respiratory illness in children, and children who live with two parents who smoke are twice as likely to become smokers.

"These results are frightening," said Dr Simon Pradd, chairman of the partnership. "Many people who smoke around their children are genuinely unaware of the extent of the problems they can cause to their children's health."

HUGH O'SHAUGHNESSY

We who wanted Pinochet punished have already won

IN THE WEDNESDAY REVIEW PAGE 4

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OUT TODAY

It's military action – but don't mention the word 'war'

DECLARATIONS OF war have become almost commonplace these days, a routine so familiar in its language that you need to remind yourself exactly what it is you are listening to. Mr Blair, for example, had not been in office for two years and yet he has twice had to perform the gravest task that can fall upon a Prime Minister – that of sending troops to attack a foreign state. It helps that nobody uses the word war, naturally, or feels the need for any solemn inauguration of hostilities.

Mr Blair's statement yesterday on Kosovo had its moments of Churchillian apostrophe, it's true,

moments when his deliberate cadences were aimed at a national audience, but the fact that he talked always of "military action" inevitably took the sting out of his words. Military action sounds reassuringly like a one off, an in-and-out operation, and it is crucially qualified by its adjective, which will reassure most people watching the evening news that this has little to do with them. War might conceivably involve us all, "military action" is something performed somewhere else by trained professionals.

Mr Blair needed to warn people that this would not be a bloodless

engagement so he did, coming as close to saying that troops would die as any politician could in such circumstances. He needed also to describe his objective in such a way that opposition sceptics couldn't secure a bridgehead, and he did that too, declaring that the aim of NATO air strikes would be to "curb continued Serbian repression in Kosovo".

What he couldn't concede was that these objectives are virtually impossible to achieve from the air, with surgical strikes on Serbian military capability.

Mr Hague began by offering his support in the ritual manner (quick

THE SKETCH



THOMAS SUTCLIFFE

genuflection to courage and dedication of the armed forces, brief exhortation of the dictator in question, matching solemnity of tone). But

the support was heavily qualified. The Conservatives he said, would back bombs but not boots – there should be no ground troops used.

Labour backbenchers muttered unhappily at this reservation but the anxiety was shared by others, and most flamboyantly expressed by the Sir Peter Tapsell (Con, Louth and Horncastle). "Using weasel words to the British public is very wrong," he spluttered, as he outlined his conviction that British blood would inevitably be spilt in the Balkans. For the first time Mr Blair looked heated as, finger jabbing, he repeated the terms of engagement. "Tell the country the price of your

policy!" shouted back Sir Peter thus forming a slightly startling cross-bench alliance with the Labour Party long-standing Cassandra, Tam Dalyell and Tony Benn. True to form, the latter managed to convey the sense that the gravest element of this crisis was the Prime Minister's constitutional impertinence in not allowing the House of Commons to debate the matter first. Alice Mahon (Lab, Halifax) did the sceptics' cause no favours either, with a tremulous insistence that dialogue was preferable to force, a remark that drew disbelieving mutters from disillusioned veterans of Rambouillet.

"It takes two sides to make peace," Mr Blair had said in his statement underlining Milosevic's culpability (the Serbian leader had a "Mr" in the original text but had been stripped of it in the delivery, a tiny shift which marked his transformation from negotiable obstacle to justifiable target). There was really no contradicting that yesterday but, whatever he says allowed, Mr Blair must know that it takes two sides to make war, as well, and that the Serbs will almost certainly not want the same kind as he and his allies.

They will want to fight theirs on the ground.

Bombing 'will aid Balkan stability'

TONY BLAIR faced dissent from all sides yesterday when he told the Commons that Britain was ready to help in Nato air strikes on Serbia to avert a "humanitarian disaster" in Kosovo.

MPs warned the Prime Minister that bombing may not bring President Milosevic back to the negotiating table and could lead to a full-blown war with Serbia.

But, in a sombre statement, Mr Blair said that while the potential consequences of military action were serious, "the consequences of not acting are more serious still for human life and for peace in the long term".

He added: "We must act to save thousands of innocent men, women, and children from humanitarian catastrophe, from death, barbarism and ethnic cleansing by a brutal dictatorship, to save the stability of the Balkan region, where we know chaos can engulf all of Europe." He said if Kosovo was left

KOSOVO
BY SARAH SCHAEFER
Political Reporter

to the mercy of Serbian repression, there was "not merely a risk but a probability of re-igniting unrest in Albania, destabilising Macedonia and almost certain knock-on effects in Bosnia and further tension between Greece and Turkey. We cannot contemplate, on the doorstep of the EU, disintegration into chaos and disorder."

William Hague warned the Prime Minister that his party would not be willing to back the use of ground forces to fight for a peace settlement.

Action should have been taken sooner against the Serbs, rather than the issuing of a "string of last warnings and ultimatums... the credibility of Nato has been called into question," the Tory leader added. Menzies Campbell, for the



Tony Blair, grim and untalkative, leaves Downing Street yesterday to make his sombre statement in the Commons

Russell Boyce

Liberal Democrats, told Mr Blair: "The political aim should be to require the Milosevic government to pay such a high price in military assets that it is persuaded, even compelled to return to the conference table".

Sir Peter Tapsell, the Tory MP for Louth and Horncastle, accused Mr Blair for using "weasel words" with the British

people because air strikes alone would not achieve the Nato objectives. "What the Government is proposing now is to make war on Serbia and it is a profound political mistake to suppose that Milosevic is not supported by the mass of the Serbian patriotic people, one of the great fighting people of Europe. "The British people should

be told now that we are embarking inevitably in ground operations, that will result in heavy casualties." But Clive Soley, the chairman of the parliamentary Labour Party, told Mr Blair that the British people had learned "more than anyone else that appeasement does not work". The British people would not allow anyone to for-

give and forget the "barbaric crimes" which had been perpetrated in Kosovo, he added. Tony Benn, the MP for Chesterfield, said Britain and its allies were "breaking international law", and attacked the Prime Minister for not holding a debate in the House of Commons on the issue. David Winnick, the Labour MP for Walsall North, said:

"When we listen to the voices of non-intervention, isn't it the case that those who argued for non-intervention were wrong about the Falklands in 1982, wrong about Kuwait in 1991, and certainly wrong about the help of the international community in bringing about a settlement in Bosnia in 1995, so why on earth should we believe they are right now?"

Clarke backs elected Lords

CONSTITUTION
BY PAUL WAUGH
Political Correspondent

THE FORMER Chancellor Kenneth Clarke joined senior Labour and Liberal Democrat MPs yesterday to launch a new cross-party campaign for a fully elected second chamber for Parliament.

Mr Clarke revealed that more than one-third of all backbench MPs and most Tory frontbenchers had backed proposals to replace the House of Lords with a senate-style body. The campaign was launched as 131 MPs signed an early day motion demanding that "the composition of the second chamber of Parliament should be determined by election".

Accompanied by Charles Kennedy, the Liberal Democrat agriculture spokesman, and Mark Fisher, Labour's former arts minister, Mr Clarke said the motion would send a clear message to the Royal Commission on Lords reform.

"There is strong and growing cross-party support in the House of Commons for an elected second chamber... In the 21st century, only the ballot box can provide the second chamber with sufficient legitimacy for it to perform a constitutional role."

Labour offers safeguards against town-hall sleaze

STRINGENT SAFEGUARDS on freedom of information are to be imposed on town halls across the country to ensure that elected mayors and cabinet-style governments do not descend into secret cabals.

The draft Local Government Bill published today will make it a criminal offence for any council to refuse to publish details of how decisions are made. To reduce the danger of secrecy and corruption, powerful scrutiny committees will also have the right to call mayors and cabinet members to account.

The proposals have been included in the Bill to counter criticism that the creation of directly

LOCAL GOVERNMENT
BY PAUL WAUGH
AND COLIN BROWN

elected mayors and other executive forms of government will lead to over-centralisation.

The long-awaited legislation will aim to transform councils by allowing just 5 per cent of the local electorate to trigger a referendum on a mayorality. Ministers hope that local newspapers will campaign for a referendum in their area, by-passing obstructive councillors who refuse to stage a poll.

The Bill will also feature tough new codes of ethics for all councillors and officers, with re-

gional standards boards with the power to exclude politicians from office if they breach the guidelines.

However, the Liberal Democrats were adamant last night that mayors and cabinets could exacerbate the problem of town-hall sleaze. Paul Burstow, the party's local government spokesman, said that the only real solution was to introduce proportional representation (PR) for councils.

"This Bill could simply institutionalise the control of town halls by dominating leaders," he said. "If ministers are serious about tackling sleaze, they must introduce fair votes

for local government... Without PR, Labour's rotten boroughs will be able to get away with creating all powerful, one-party executives, accountable to no one but their own political friends." ■ Tories attempted last night to delay the passage of the Local Government Bill as it reached its report and third-reading stages. The legislation will end universal budget capping and scrap compulsory competitive tendering introduced by the Thatcher government. Conservative MPs filibustered in protest at the CCT proposals and the speed with which Labour was aiming to clear it from the Commons.

Lords urge new dumping policy

PEERS YESTERDAY urged the Government to end its "irragment" policy on dealing with nuclear waste.

A report by the influential Lords' committee on science and technology argued that phased underground disposal was "the right way forward" to deal with the waste.

"Nuclear waste has been treated in an ad hoc way for far too long. There are wastes for which no long-term management method has been identified and there are radioactive materials in store that are not

NUCLEAR WASTE
BY SARAH SCHAEFER

needed but that have yet to be classified... reliance on supervision for very long periods increases the probability of human error," Lord Tombs, the committee's chairman, said.

The peers' inquiry was set up after the decision in 1997 by the then Tory environment secretary, John Gummer, to reject Nirex's plans to build the first stage of Britain's underground nuclear waste dump near Sellafield, Cumbria. He also turned

down British Nuclear Fuel's plans to keep foreign intermediate-level nuclear wastes in Britain after their reprocessing.

The report also said: "We must start now to find a solution to this unprecedented problem."

But Greenpeace dismissed the committee as a "pack of ostriches". "Dumping nuclear waste underground is irresponsible," said Dr Helen Wallace, a Greenpeace scientist. "Evidence at the Nirex inquiry showed that any dump would leak and contaminate land, rivers and water supplies."



John Gummer: Rejected underground dump

Defeat on young offenders

THE GOVERNMENT was defeated by 149 to 144 when peers backed a call to give magistrates more discretion on whether to refer first-time offenders to proposed youth offender panels during the third reading of the Youth Justice and Criminal Evidence Bill.

Today's Agenda

Commons. 9.30am for backbench debates on: transport in eastern region,

THE HOUSE



Metropolitan Police budget, teenage pregnancy. 2.30pm: Northern Ireland questions. Prime Minister's questions. Lords. 2.30pm: Debate on role of marriage, debate on Gulf War illnesses.

Beef ban can go in Scotland

MEMBERS OF the Scottish Parliament will be able to lift the beef-on-the-bone ban north of the border after its opening on 1 July, junior Scottish minister Sam Galbraith said.

Few still waiting

LESS THAN 1 per cent of gun owners claiming compensation for the 1997 firearms ban are still waiting for offers from the Government, Home Office

QUESTIONS AND ANSWERS

minister Paul Boateng said.

Ashton warning

ANY POLICE officer found to have leaked information about questioning of Labour MP Joe Ashton during a raid on a Thai massage parlour would be "severely dealt with", Home Office Minister Paul Boateng said.

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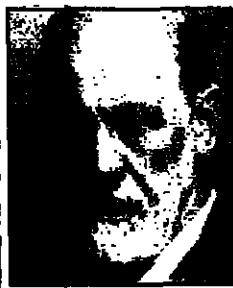
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JP 11/03/99

Are these the century's finest minds?



ALBERT EINSTEIN
Patent office clerk who became the century's most influential scientist. At 26, developed theory of relativity, basis for advances in quantum physics, space travel and electronics.



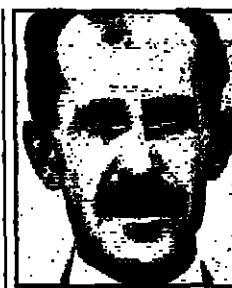
SIGMUND FREUD
The father of psychoanalysis. Credited with opening the door to our unconscious selves. Concepts such as ego, repression and penis envy spring from his work.



ALEXANDER FLEMING
Bacteriologist who invented penicillin, world's most effective lifesaver and key to all antibiotics. Found when an experiment was accidentally contaminated.



ENRICO FERMI
Atomic physicist who helped pioneer nuclear fission. Co-inventor and designer of the first nuclear reactor. Hailed as last great physicist to excel both at theory and experimentation.



WILBUR AND ORVILLE WRIGHT
Brothers Wilbur and Orville (above) were bicycle mechanics who made first powered human flight in 1903. Ultimately responsible for the aviation age.



ALAN TURING
Computer scientist who built the world's first calculating machines and laid the groundwork for all computer technology. Committed suicide after prosecution for homosexuality.



JONAS SALK
Virologist who invented the polio vaccine in the Fifties after two epidemics which crippled thousands of children. Suffered from infighting in US scientific establishment.



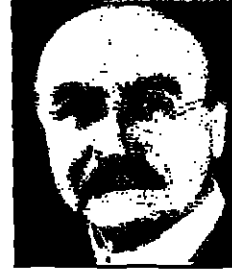
LUDWIG WITTGENSTEIN
Pioneering philosopher who started out trying to "end philosophy" in 1922 by elegantly codifying all thought in terms of logic. Eventually questioned all original ideas.



JAMES WATSON AND FRANCIS CRICK
Molecular biologists Watson (above) and Crick discovered DNA's double helix, basis of life. Fought opinion in developing theories ranging from crime-fighting to philosophy.



WILLIAM SHOCKLEY
Solid-state physicist and inventor of the transistor, which made computer technology possible. Held radical racial view that black people were inherently less intelligent than whites.



LEO BAEKELAND
Belgian-born chemist who invented the first synthetic plastic - Bakelite. It was discovered in 1909 during his search for an insulating material for the growing electric industry.



TIM BERNERS-LEE
British computer network designer who originated the World Wide Web. Credited with the huge growth of the Internet - 600,000 to 40 million users from its launch in 1991 to 1996.



RACHEL CARSON
Marine biologist who wrote *Silent Spring* in 1962, forerunner of environmental movement. Listed effects of pesticides on wildlife, despite attack by US chemical companies.



JOHN MAYNARD KEYNES
Economist thought of as father of modern economics. Theories on pulling economies out of depression by increasing demand credited with saving capitalism.



EDWIN HUBBLE
Astronomer who formulated theory of Big Bang in 1920s, realising universe beyond the Milky Way was expanding. Einstein said Hubble's contribution helped prove his theories.



KURT GODEL
Author of arguably the most important discovery of 20th-century mathematics. His "incompleteness theorem", of 1931, proved wrong nearly 100 years of mathematical research.



ROBERT GODDARD
Rocket scientist who pioneered the technology in the 1930s amid ridicule. Nazis used ideas to produce V2 rockets for attacking London, but rockets did put a man on the moon.



THE LEAKEY FAMILY
British family of pioneering anthropologists - Louis, Mary and son Richard (above) - whose work in Kenya revolutionised the understanding of human evolution.



JEAN PIAGET
Child psychologist who developed the theory that children were not empty vessels to be filled with knowledge but had their own logic with which they constructed their world.



PHILO FARNSWORTH
Inventor of the TV tube, after the idea came to him at 14. Died in obscurity. "There's nothing on it. We're not watching it in this house," he told his son.

JOHN DAVISON

A FORMER clerk in the Swiss patent office has been voted one of the most influential minds of the past 100 years - the century that split the atom, invented plastic, landed men on the moon and cloned a sheep called Dolly.

The name of Albert Einstein is synonymous with intellectual power, which explains why he heads the list of the 20 most influential thinkers of the past 100 years. People as diverse as Ludwig Wittgenstein, the Austrian philosopher, William Shockley, the inventor of the transistor,

BY STEVE CONNOR
Science Editor

and Sigmund Freud, the pioneer of psychoanalysis, are among the famous names listed by *Time* magazine as this century's greatest brains.

The 20th century, *Time* says, "overthrew our inherited ideas about logic, language, learning, mathematics, economics and even space and time. And behind each of these great inventions is, in most cases, one extraordinary human mind."

Britain is well represented in the list, with seven names

among the top 20, including Alexander Fleming, the discoverer of antibiotics, John Maynard Keynes, the influential economist, and Alan Turing, the tortured mathematician and computer scientist.

But it was Einstein who dominated the 20th century with his two theories of relativity. He published his first, "special" theory in 1905 while he was still a patent office clerk, and his more important, "general" theory in 1916.

James Gleick, the science author, writes in *Time* that the scientific touchstones of the

age - the nuclear bomb, space travel and electronics - all bear Einstein's fingerprints. "He discovered, just by thinking about it, the essential structure of the cosmos," he says.

Sir Martin Rees, Britain's Astronomer Royal, agreed with *Time* that Einstein dominated the scientific achievements of the 20th century, notably with his general theory of relativity, which explains the relationship between gravity and space.

"If he hadn't come up with his general theory, it might not have been described for several more years. Einstein put

a more distinctive mark on science," Sir Martin said.

Many discoveries came about as a result of good luck and "people who made the greatest discovery don't always have the greatest intellect," he said.

Alexander Fleming's discovery of penicillin, made after an accidental contamination in his laboratory, is a prime example of a lucky accident leading to a major breakthrough.

Francis Crick and Jim Watson, the two Cambridge scientists who discovered the double helix structure of DNA,

did what others would have done a few years later, said Lewis Wolpert, professor of biology as applied to medicine at University College London.

But being first matters, which is why Crick and Watson achieve a place in *Time*'s hall of fame as the co-discoverers of the "secret of life" in 1953.

"Not until decades later, in the age of genetic engineering, would the Promethean power unleashed that day become vivid," the magazine says, referring to late-20th-century developments in biotechnology.

Men dominate *Time*'s list of

great thinkers, which includes technology intellectuals such as Tim Berners-Lee, the architect of the Internet, and Wilbur and Orville Wright, the pioneers of powered flight.

But one woman stands out: Rachel Carson, an American biologist, is credited with virtually inventing the environmental movement with her book *Silent Spring*, which alerted the world to the dangers of pesticides.

"*Silent Spring*, serialised in *The New Yorker* in June 1962, gored corporate oxen all over the country," *Time* says.

Not surprisingly, Carson was violently assailed by threats of legal action from some of the biggest companies in the United States, including Monsanto, the agrochemicals giant.

"In their ugly campaign to reduce a brave scientist's protests to a matter of public relations, the chemical interests had only increased public awareness. *Silent Spring* became a runaway best-seller, with international reverberations. Nearly 40 years later, it is still the cornerstone of the new environmentalism," says *Time* magazine.

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A NEW
GENERATION
IS
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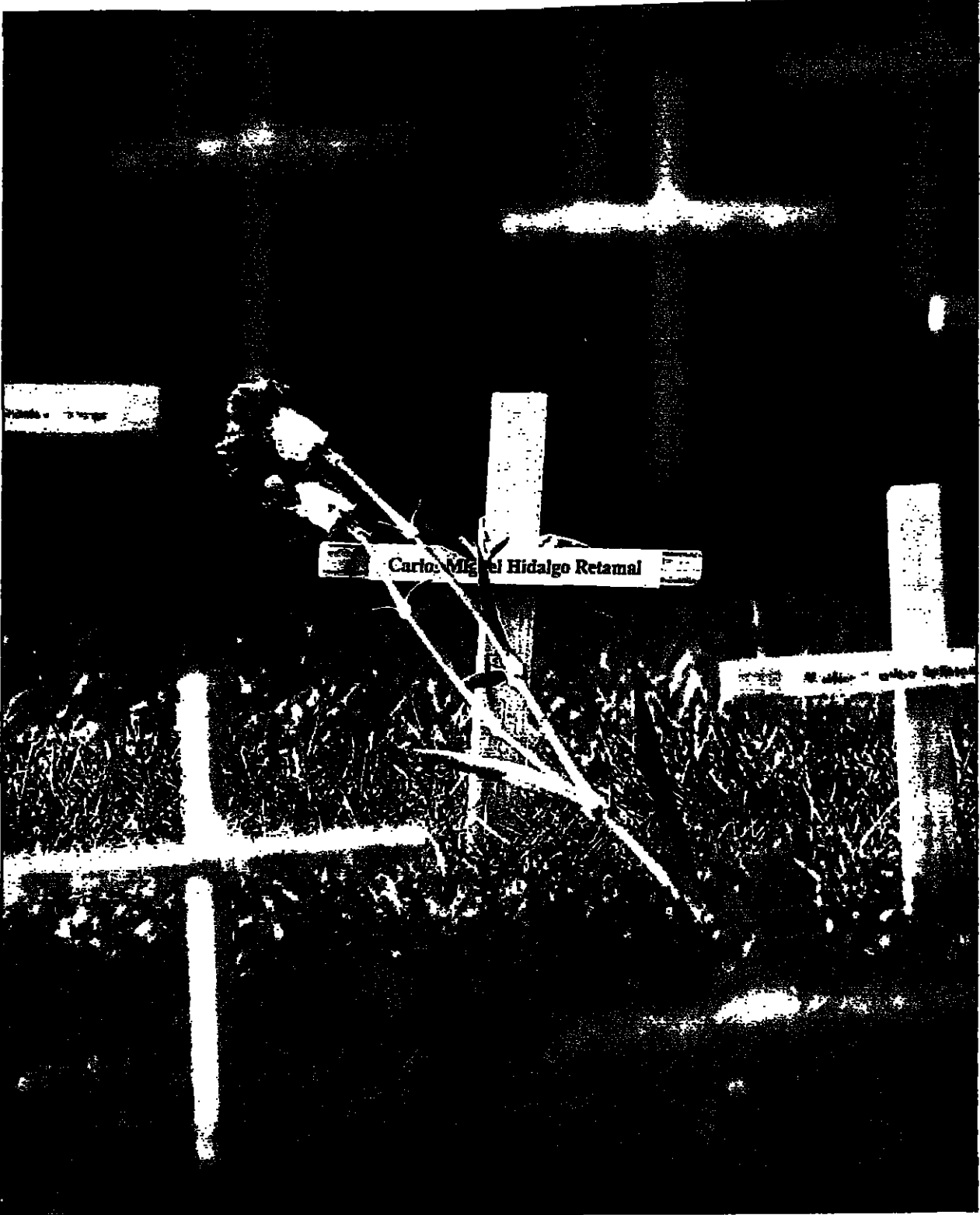
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A red carnation among hundreds of crosses which bear the names and photographs of those who 'disappeared' during the Pinochet regime in Chile in front of the Houses of Parliament yesterday
Reuters

Chileans ready to reclaim Pinochet

BY KIM SENGUPTA

A CHILEAN air force plane arrives in Britain today to fly General Augusto Pinochet back home to Santiago if the law lords decide that he has immunity from prosecution on charges of human rights abuse.

On the eve of the ruling there was frantic lobbying yesterday from both sides on the emotive issue, with politicians and public figures flying in from Chile for what may be the campaign's final furlong.

General Pinochet is said to have spent the past few days personally directing operations. The former Chilean dictator and his wife, Lucia, are said to have their bags packed ready to return after coming for a shopping trip which in the end has lasted almost six months.

Former Chilean political prisoners and their supporters yesterday kept up their own pressure, placing 4,000 tiny crosses on the lawn outside the Houses of Parliament in memory of those murdered or "disappeared" by General Pinochet's regime. Roberto Vasquez, a member of the Chile Committee Against Immunity,

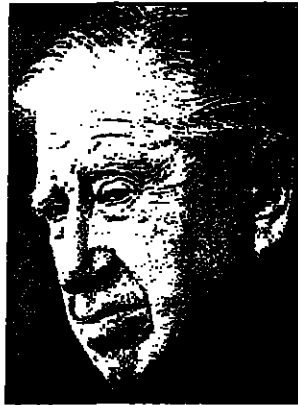
who spent seven years in jail, said: "Each of these crosses represents a human life which was extinguished. We are here to remind the law lords about the barbarities that took place under Pinochet and ask them to make a stand for the weak and the oppressed."

If the law lords decide that the general has immunity from prosecution, he will be able to leave at once. A decision against him is expected to lead to an immediate application for judicial review by his legal team over the legality of his original arrest.

If they fail with that there will be the beginning of extradition proceedings to Spain, where the general is wanted on charges of human rights abuse, which could last for months.

There was speculation that the judgment will refuse him immunity from prosecution, but at the same time make it difficult for a successful extradition to Spain.

The new panel of seven judges may uphold the previous Lords ruling that General



General Pinochet: Hopes to fly back to Chile today

Pinochet does not get blanket protection from charges of human rights abuse as a former head of state.

At the same time they may decide that the general cannot be tried for any offences committed in Chile before 1988 when torture became an extra-territorial offence under United Kingdom laws. The vast majority of the Spanish charges against the general relate to before that year. The only direct one after that period is the alleged torture of a teenage girl.

The Attorney-General, John Morris, has already refused leave for a private prosecution in Britain of General Pinochet for the alleged murder of a British businessman, William Beausire, who was kidnapped in Argentina in 1974. Mr Morris told the Commons that his decision was based on advice from government lawyers that the 1988 Act was not retrospective in relation to British law.

However, the Spanish warrant also alleges that General Pinochet was involved in conspiracy to murder while agents of his secret police, Dina, while in Madrid. The Crown Prosecution Service could argue that any Lords ruling about lack of retrospective of the 1988 Act cannot apply to these charges.

Legal sources also say that as long as the principle is established that General Pinochet does not enjoy immunity, the CPS will be able to argue the issue through extradition proceedings, raising the possibility of many months of attritional legal hearings.

Hugh O'Shaughnessy, Review, page 4

Police target city crime syndicates

BY JASON BENNETTO
Crime Correspondent

FIFTYTHREE suspected criminals were arrested yesterday during a massive police operation aimed at cleaning up a notorious inner-city area reputed to be "untouchable".

The move follows a 12-month undercover operation, code-named Victory, aimed at combating drug-dealing, burglary, and theft in Salford, Greater Manchester.

Officers yesterday raided 45 properties in Salford, 11 in other areas of Greater Manchester, and four in Cheshire, Merseyside, and Lancashire. A total of 43 men and 10 women were arrested, and officers recovering drugs worth £250,000 and stolen property worth the same amount. A sawn-off shotgun, two pistols and an imitation gun were also seized.

Undercover officers had bought stolen goods and drugs from suspects in order to compile evidence and draw up lists of targets. The police targeted

prolific burglars, car thieves, handlers of stolen goods, and drug dealers.

Detective Superintendent David Brown, head of Operation Victory, said: "There's a perception that there are certain criminals in the Salford area that may be considered untouchable. We wanted to show that no one is above the law."

There are said to be about five significant crime "families" or gangs operating from Salford. The criminals concentrate on running protection rackets, drug-dealing, robberies from security vans and the sale of guns.

Det Supt Brown added that he was confident he had arrested some of the district's most prolific criminals.

The 53 people in custody were being held at 10 police stations around the Greater Manchester area.

C4 gun-running film 'was faked'

THE INDEPENDENT Television Commission is investigating claims that parts of a Channel 4 documentary about gun-running in Manchester were faked.

Guns on the Street, shown in the network's *Undercover Britain* series the day after the Dunblane massacre in March 1996, purported to be the video diaries of two people in Salford and Moss Side concerned about the illegal arms trade.

The film led to the arrest and conviction of Gary Bispham, seen in the programme illegally reactivating an Uzi sub-machine-gun. He is serving seven years for firearms offences.

Bispham has said some scenes were staged and the producers failed to disclose that one diarist had a conviction for firearms offences and the other was a freelance journalist.

Channel 4 set up an independent investigation of the documentary by outside solic-

BY RHYS WILLIAMS

itors. This has nearly finished, said a spokesman.

Channel 4 accepted that one diarist had a gun-related conviction, but said it had been unaware of this before the broadcast.

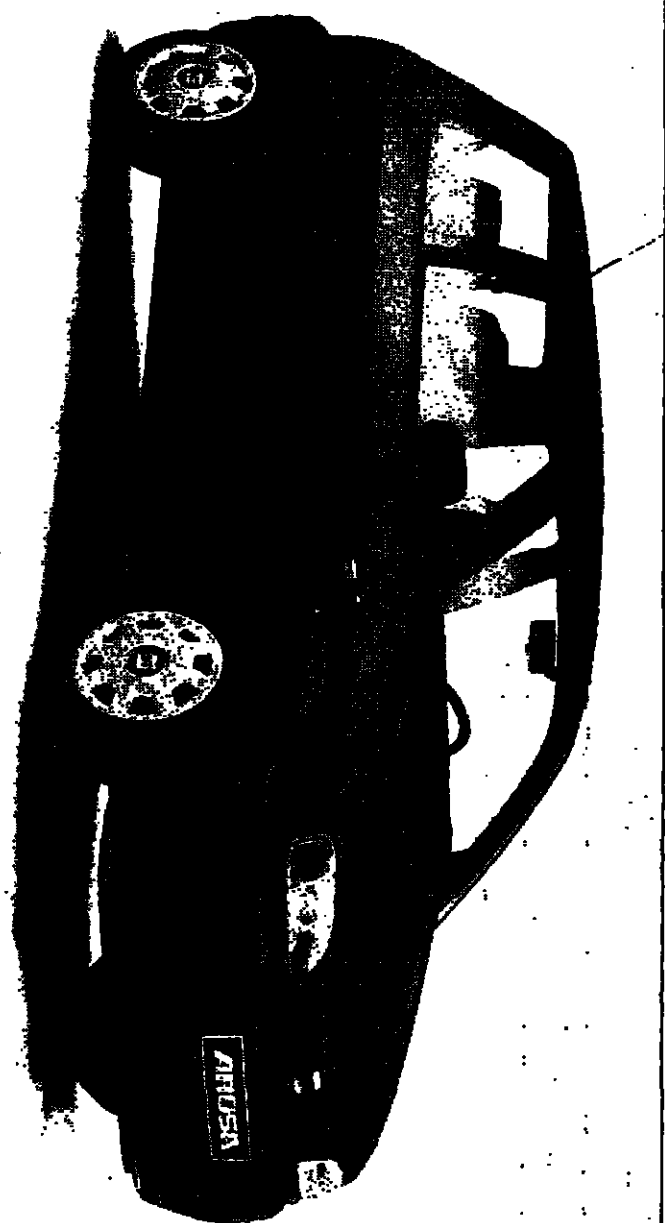
This is a sensitive time for factual programme-making. Carlton was fined £2m for its faked drugs documentary *The Connection*, and deception was found in *The Vanessa Show*.

Last year Channel 4 escaped punishment after apologising for a Cutting Edge film called *Rogue Males*, about cowboy builders, which merely filmed reconstructions of incidents.

Last month the BBC fined the network £150,000 for a documentary *Too Much Too Young: Chickens*, where producers posed as clients picking up rent boys.

The independent producer Mary Devine has been banned from the network.

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Prescott to halve bus fares of elderly

JOHN PRESCOTT yesterday promised that the Government would guarantee half-price bus fares for pensioners, more passenger information and a clampdown on poor performing operators.

"I am looking for the bus industry to provide better quality, better reliability, put more bums on seats and bring in more passengers and not more subsidies," the Secretary of State for the Environment, Transport and the Regions said.

He said that cuts in senior citizens' fares would make a "big difference to the quality of life" for elderly people on reduced incomes, and that he wanted to see all pensioners in England get a minimum half-price discount in exchange for buying an annual travel pass costing no more than 25.

The measure is likely to add millions to local authorities' travel subsidy bills as Mr Prescott said nearly half of all English councils operated less generous schemes. Pensioners in London have free bus

BY PHILIP THORNTON
Transport Correspondent

travel, but outside the capital the pattern varies, with some local authorities offering no concession at all.

The measure is unlikely to become reality for months as Mr Prescott needs to win legislative time. The Government said it would consult on all its proposals.

The Local Government Association said it disagreed with Mr Prescott's figures on the current level of pensioner subsidy. It said it was disappointed the Government had failed to give a legislative timetable.

Announcing the plans at a news conference on board an environmentally friendly bus in London, Mr Prescott said he wanted to end the deregulated "free for all" brought in by the Tories. He set out a package of measures to force bus companies to improve services and to bring in tougher powers to crack down on the failures. He said he would hold a bus



John Prescott, Secretary of State for Transport, announcing his plans for the buses yesterday - including fare cuts for pensioners Neville Elder

industry summit in the autumn, on similar lines to the rail summit held last month in response to appalling performance levels. "Buses represent the best opportunity for leading a renaissance of public transport in this country. At the end of the day, it is what the passenger wants that matters," he said. Other measures, most of

which would need legislation, include:

■ Tougher powers for traffic commissioners, who currently license bus operators, to fine operators for services that fail the passenger;

■ New laws to allow councils to stipulate service standards, with failure enforced by traffic commissioners;

■ Forcing operators to notify commissioners of plans to alter the timetable 21 days in advance, to prevent companies launching "bus wars" by running services five minutes ahead of competitors;

■ A pilot project in Wales to enable passengers to get information on rail, bus, coach and metro services through a single

telephone call or on the Internet;

■ Powers to force operators to offer tickets for use on trains.

Bernard Jenkin, the Conservative transport spokesman, said: "Once again it looks like all talk and no action. Another glossy brochure, another launch, but people's travelling lives are still a misery."

Matthew Taylor, the Liberal

Democrat spokesman, said: "Waiting for government action on buses is like waiting for a bus in most areas. There is no sign of it turning up and the timetable is missing. Labour promised better buses last July. This consultation document repeats that promise nine months later, but still there is no legislation to put it into action."

Woman drank as girls, 8, drowned

BY ASHLEY BROADLEY

TWO EIGHTY-ONE-YEAR-OLD girls drowned in a river while the woman who was meant to be looking after them was drinking and smoking cannabis, a court was told yesterday.

Wendy Dodd, 41, pleaded guilty at Leeds Crown Court to wilful neglect of Jasmine Neville and Charles Fox, who died in the River Wharfe near Arthington, West Yorkshire. A verdict of not guilty was recorded on two counts of manslaughter.

Mr James Stewart QC, for the prosecution, said a group of people, including Dodd, and Charles's parents, David and Maxine Fox, went to the river on 21 July 1997 for a barbecue to celebrate Charles's eighth birthday. He said witnesses had described the adults as being "the worse for wear", and told the court that Dodd, formerly of Burley, Leeds, had been left alone with Charles and Jasmine, also from Burley.

Dodd had seen two gypsy boys and invited them over "for a split", the court heard. It was after this she realised the girls were missing. At 10.20pm divers found their bodies in deep water.

Mr Justice Poole postponed sentencing pending medical and psychiatric reports. Dodd was released on bail.

Robert Fitzgerald, the partner of Jasmine's mother, Joanne Shaw, said: "We are pleased the trial is over."

City lawyer will be new Rail Regulator

BY PHILIP THORNTON
Transport Correspondent

THE GOVERNMENT yesterday chose a City lawyer to fill the key £165,000-a-year post of Rail Regulator.

The decision to appoint the surprise candidate Tom Winsor, 41, was seen as recognition that raising investment rather than capping profits of the railway industry was a priority.

He was selected ahead of Chris Bolt, who had filled the post temporarily since December. Mr Bolt set out his credentials last year when he warned Railtrack that he would cap its profits by £100m a year unless it was prepared to take more risks. Railtrack had warned that this meant it would be able to borrow £1bn a year less on the money markets.

Mr Winsor, who will take over on 5 July, will have the task



Winsor: 'Second of three key rail appointments'

of reviewing Railtrack's investment programme.

"This is the second of three key rail appointments which look to the future of the railway industry," said the Deputy Prime Minister John Prescott.

The first key appointment was that of Sir Alastair Morton as chairman of the British Railways Board and also boss of the

shadow Strategic Rail Authority. The third appointment, that of a new director of Passenger Rail Franchising, will be announced shortly.

On Thursday, Railtrack is to announce a £27bn investment in Britain's railways over the next 10 years. The first Rail Regulator, John Swift, was critical of the rate of Railtrack investment when he held the regulator's position from 1993 until the end of 1998.

Mr Winsor has been working at the Office of the Rail Regulator since 1993 - first as chief legal adviser and then as a general counsel to the regulator working on reorganisation, restructuring and regulation of the rail industry.

Shares in Railtrack surged two per cent on yesterday's news. One City analyst said: "The only goal that Chris Bolt had was to beat up a few shareholders."

'Dirty, filthy lies,' says man charged with war crimes

ANTHONY SAWONIUK, the pensioner charged with murdering Jews more than 50 years ago, yesterday claimed that he was the victim of "dirty, filthy lies".

During another emotional session at the Old Bailey, Mr Sawoniuk once again insisted he was innocent and accused those witnesses who had spoken against him of fabrication. "These people are animals," he said. "I have more sympathy with animals than your witnesses. They are not human beings."

Mr Sawoniuk, 78, a retired British Rail ticket collector from south London who roamed

BY ANDREW BUNCOMBE

to Britain shortly after the Second World War, is charged with murdering Jews while serving as a locally recruited police officer in Nazi-occupied Belarus between 1941-1944. During that time he is alleged to have killed more than a dozen Jews while leading "search and kill" operations, rounding up people who escaped a massacre in September 1942 in which more than 2,900 were killed in one day.

Last week the judge, Mr Justice Potts, dismissed two of the four counts of murder on the grounds of insufficient ev-

idence. The remaining two counts contain the details of 18 alleged killings.

Mr Sawoniuk, who took to the stand to speak in his own defence, last week admitted being a police officer in his home town of Domachevo. But he denied murdering the town's Jewish citizens, saying they were his friends.

Yesterday he said he could not have been a member of the SS, as he was accused, he said, by the Metropolitan Police officers who interviewed him, because he could not speak German.

The hearing continues.

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Clinton says there may be US losses

WITH KOSOVO descending into all-out war and the US special envoy, Richard Holbrooke, heading to Brussels after a failed mission to Belgrade, President Bill Clinton prepared the American public for full-scale military intervention. He also warned that it might lead to US casualties.

Condemning the intransigence of the Yugoslav President, Slobodan Milosevic, Mr Clinton said yesterday: "If he will not make peace, we are willing to limit his ability to make war over Kosovo. We will limit his ability to win a military victory and engage in ethnic cleansing and slaughter innocent people." Mr Clinton said that, "like any other military action, there are risks in it".

He was addressing an audience of civil servants in Washington in a speech that had been planned to deal with pension reform, but which was rewritten to incorporate an explanation and defence of US policy in the Balkans.

Couched at times in the language of an elementary textbook, the speech was a clear attempt by the President to counter criticism that he had not justified intervention in Kosovo as being in US interests. The speech was broadcast live by all the main US cable news channels.

While preparing the American public for new military intervention overseas, Mr Clinton was faced with a host of dilemmas about its timing. Republicans in Congress, especially in the Senate, were strongly resisting the use of military force over Kosovo.

The expected arrival in Washington of the Russian Prime Minister, Yevgeny Primakov, also contained the

BY MARY DEJEVSKY
in Washington

seeds of an embarrassing diplomatic rift. However, the visit was cancelled after the Russian Prime Minister ordered his aircraft to turn round in mid-air and return to Russia. "He just turned his plane round in mid-atlantic?" a reporter asked the White House spokesman, Joe Lockhart. "That is correct," Mr Lockhart said. Mr Primakov had already expressed his opposition to any use of



Primakov: Turned plane round in mid-air

force by Nato before he left Moscow and during a stopover in Ireland.

US military action threatens the work of the international peace-keeping operations in former Yugoslavia - to which Russia contributes - and the concept of the "Partnership for Peace". This programme was designed to foster co-operation between Nato and states along the periphery of the alliance, including Russia.

It would also endanger the image of East-West peace and unity that the US wants to project at next month's celebrations in Washington for the

50th anniversary of Nato. The recent accession of the three new Nato members was held outside Washington and kept low-key so that next month's Nato anniversary did not offend Russian sensibilities by appearing "triumphalist".

Authorising Nato air strikes during US-Russian discussions about the anniversary arrangements could jeopardise the whole project.

In the event, the threatened congressional revolt turned out to be the least of Mr Clinton's difficulties yesterday.

After an hour-long meeting at the White House - the second in a week - Republican leaders said they would reluctantly support military action and abandoned a motion that would have required the administration to obtain congressional approval first.

Trent Lott, Republican majority leader in the Senate, said that he was preparing to reword a motion opposing military involvement to express mere "reservations" but also support for US troops. "I am going to support the air strikes," said Senator Mitch McConnell of Kentucky, who had been one of the most forthright opponents.

And Senator Kay Bailey Hutchison of Texas told reporters: "Many of us disagree with the policy, but I think it becomes a different issue when action is imminent."

"Imminent" was reportedly how Mr Clinton described the likelihood of Nato air strikes. That the decision had been taken at least in principle was confirmed by Pentagon sources who made known that, following the failure of Mr Holbrooke's last-ditch pleas to the Yugoslav president, "the countdown to air strikes has begun".



An ethnic Albanian man fleeing the Serbs in Kosovo waiting outside a refugee registration centre in Skopje, Macedonia, yesterday
Damir Sagolj/Reuters

British army commander with a tough reputation

BY JOEN DAVISON

THE BRITISH commander of the 10,000 Nato troops in Macedonia sought yesterday to dispel ideas that his force could be used for a land attack on Kosovo. Its only role was to implement any peace accord, he stressed.

"There is speculation that we have other roles and I want to kill this speculation," said Lt-Gen Sir Mike Jackson. "We are here to do one thing and this is to implement a Kosovo peace agreement when and if it occurs."

The plan is eventually to deploy a total of 28,000 Nato troops in Kosovo to police an agreement on granting the province autonomy from Serbia. Nato has said any hostile move on the part of Belgrade towards the force in Macedonia would be "a great mistake".

Lt-Gen Jackson, a former commander in the Parachute Regiment, has been dubbed "Britain's toughest-looking soldier" in the media and "the Prince of Darkness" by his troops, because of his sun-tanned features. His own view is simply that he has a "well lived-in face".

His new Balkan role comes because of his position as commander of Nato's Allied Rapid Reaction Corps, which is undertaking the operation. Its headquarters staff of 1,000 officers, of which about half are British, will be supplemented by a further 3,000 troops from the Royal Signals if full deployment takes place.

The mission is Lt-Gen Jackson's second experience of peace implementation in the Balkans, having commanded the British contingent in Bosnia between 1995 and 1996.

After joining the army at 19, he was commissioned into the Intelligence Corps and took a

degree in Russian at Birmingham University before going on two years secondment to the Parachute Regiment.

It was after this that he decided to transfer permanently to the regiment, in an unconventional move for an ambitious corps officer, and saw two periods of service with them in Northern Ireland before taking command of 1 Battalion from 1984 to 1986.



Lt-Gen Sir Mike Jackson: "We're here to do one thing"

After a series of staff jobs and the higher command course, in 1989 he spent six months on a fellowship at Cambridge writing a paper on the future of the British army.

He has commanded 3 (UK) Division, the job which took him to Bosnia, and is a former director-general of development and doctrine, the army's own "think-tank".

Lt-Gen Jackson, who celebrated his 55th birthday on Sunday, married his second wife Sarah in 1985. The couple have a son Thomas, aged eight, and Sir Michael has two grown-up children from his first marriage. His interests include travel, music, reading, skiing and tennis.

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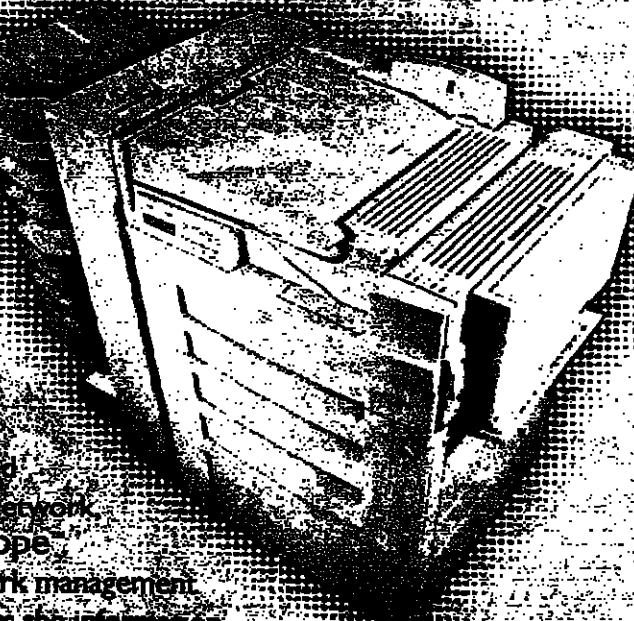
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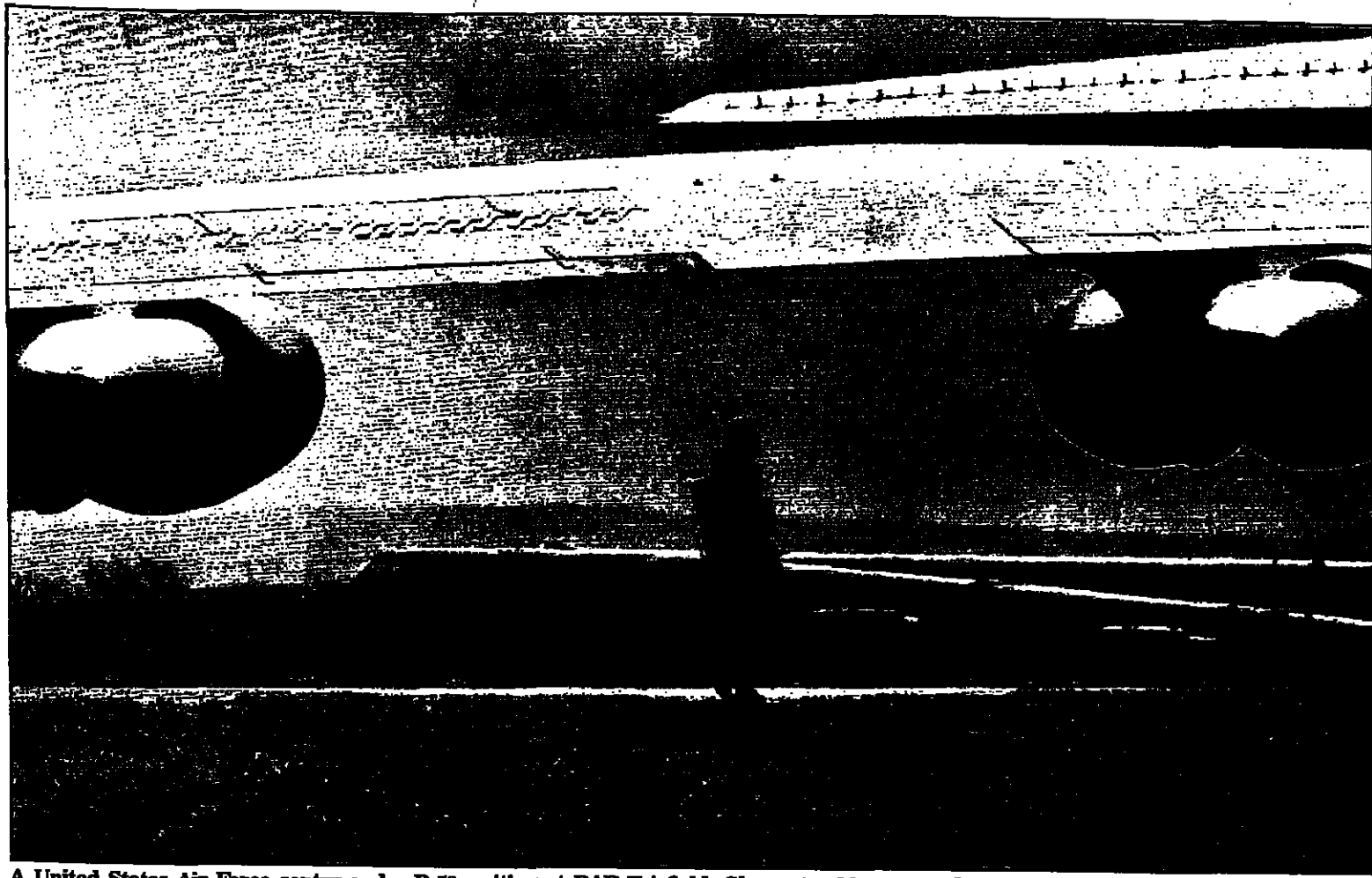
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A United States Air Force sentry and a B-52 waiting at RAF Fairford, Gloucestershire, yesterday. Nato forces were on standby after the suspension of talks between the Yugoslav President, Slobodan Milosevic, and US special envoy, Richard Holbrooke, in Belgrade. *Max Nash*

Russia denies sending MiGs

A RUSSIAN cargo plane has been held in Azerbaijan for five days amid official allegations that it was carrying fighter jets to Yugoslavia, violating an international arms embargo.

The accusation, which drew an indignant denial from Moscow, came after Azeri customs found the plane, an AN-124, was carrying six MiG combat aircraft, military equipment, and a team of 30 pilots and technicians.

One of the most senior officials in Azerbaijan's government, Vafa Guluzade, said the aircraft was bound for Yugoslavia - a claim which, if true, would suggest a breach of the international arms embargo in force against Belgrade.

Reports from the region yesterday said the aircraft touched down in the Caspian city of Baku on Thursday to refuel, but was barred from leaving by officials after they found it was loaded with combat jets.

By PHIL REEVES
in Moscow

News of the aircraft's detention became public yesterday as Russia's Prime Minister, Yevgeny Primakov, flew from Moscow to Washington to lobby for more loans from the International Monetary Fund to help Russia overcome its economic problems.

Mr Primakov fended off questions about the jets during a stopover in Ireland, en route to talks with President Bill Clinton. He told reporters that Russia had not broken the arms embargo. "We have not broken the sanctions yet," he said, before reiterating Moscow's opposition to Nato air strikes against Yugoslavia.

His denials are likely to get a fair hearing in Washington as it would seem to be against Moscow's interests to supply fighter planes to Yugoslavia at a time when Russia desperately

needs Western financial help to avoid further debt defaults, and even deeper economic misery.

However, there are rogue headline elements within the Russian military. And there have been cases of Russian military equipment - including Soviet-era helicopters and submarines - being sold by criminals on the black market.

As Mr Primakov moved quickly yesterday to put out this latest fire, back home in Moscow another one had taken hold. In an unprecedented move, the chief prosecutor, Yuri Skuratov - still smarting from being caught on video with two prostitutes - sent a team into the Kremlin to seize documents as part of a corruption probe. Mr Yeltsin has been pressing for Mr Skuratov's resignation amid a deepening political battle in Moscow which has drawn in parliament, the central bank, a leading oligarch, the premier, and the presidency.

Tensions in Macedonia could spark Balkan war

AS THE West prepares for war against Serbia, inevitably fears are being voiced that the conflict will throw the entire region into chaos.

The "Balkan tinder-box" theory was frequently wheeled out by Western politicians in the early Nineties to justify a "hands off" policy towards the conflict then raging in Bosnia.

Balkan chaos theories date back to the first and second Balkan wars of 1912 and 1913, which involved Romania, Bulgaria, Greece, Serbia, Montenegro and the Ottoman Empire. And then there was the First World War, which began after a shot was fired at the heir to the Habsburg throne in the Bosnian capital Sarajevo.

General Sir Michael Rose, former commander of the UN troops in Bosnia, revived the tinder-box theory yesterday on the BBC Radio 4 Today programme. Warning of a possible "third Balkan war", he said: "There's a grave danger that an act of war carried out against Serbia by Nato will spread into Bosnia and possibly into Macedonia."

The general's worries about Macedonia are shared by most. Serbia's southern neighbour declared its independence from Yugoslavia in 1991 and is an inherently unstable state, in spite of more than 10,000 Nato peacekeepers on its northern border. Yesterday Macedonia closed its two border crossings with Kosovo, while President Kiro Gligorov appealed to Nato to lend his country extra security guarantees.

The flow of Albanian refugees into Macedonia already threatens to destabilise the country's explosive ethnic mix, pitting the dominant Slavs against a large and restive Albanian minority. Relief organisation officials said about 1,000 Kosovars crossed the border in the past 24 hours alone.

Albania is another worry. Although the left-wing government is less inclined to pander to pan-Albanian rhetoric than its right-wing predecessor, Tirana would still find it extremely hard to stay aloof from all-out war on the ground, especially if a massive Serbian

By MARCUS TANNER

assault on the population threatened them with annihilation. Further afield, there is Turkey, the former ruling power in the Balkans and self-appointed protector of Balkan Muslims.

Then there is Bulgaria. Sofia has no direct interest in war with Belgrade, other than exaggerated worries that its nuclear power station might be hit by accident if missiles start flying around. What it does have is a very real stake in Macedonia, which nationalists have always considered an integral part of Bulgaria. Their predatory interest is shared by the Serbs, who ruled Mace-



donia in the 14th century and seized it back from Turkey - to the fury of the Bulgarians - in the Balkan wars.

So it is the collapse of Macedonia, rather than war in Serbia and Kosovo, that is most likely to make the Balkan "tinder-box" theory a reality.

Two countries that are not likely to join any new Balkan war are Romania and Greece. In Bucharest, there is principled opposition to outsiders interfering in a sovereign state. Today Kosovo, tomorrow Transylvania? But those worries are more than balanced out by a strong commitment to joining the EU and Nato.

The Greeks provided their Orthodox brothers with a valued diplomatic lifeline when Belgrade was at war in Bosnia, but ties have cooled since then. Greek diplomats are dismissing the chances of Athens being involved - or even affected - by air strikes on Serbia.

Bomb threat dawns on ordinary Serbs

AFTER DISMISSING Nato threats as bluff, the reality of approaching war dawned on the Serbian population for the first time yesterday.

According to the main pro-government daily, Politika, a poll showed 91 per cent of those asked supported the government in its opposition to Nato deployment in Kosovo.

To boost morale, officials told the population that what the West wanted was to occupy the whole of Serbia. "The whole country is at stake," said the speaker of parliament, Dragan Tomic. "Kosovo is only the door through which Nato and

the US are trying to enter to occupy our country."

However a leading human rights lawyer, Natasha Kandic, said young Serbs were avoiding call-up papers in huge numbers and that no more than 8 per cent of army reservists had turned up.

"In October [when Nato last threatened air strikes] the main talk was about how to find a safe place and stockpile food," she said. But things were different now. "People are afraid, not of being exposed to bombing but of what is going to happen in the war," she added.



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TWO DAYS of intense horse-trading among Europe's leaders begins today with a blunt warning from Germany that only a deal on financial reforms can prevent a "serious crisis" which could alienate Europe's citizens.

The message, from Gerhard Schröder, the German Chancellor, came on the eve of a summit which must now grapple with two of the European Union's biggest problems of recent years: the need for agreement on future funding and the vacuum in Brussels after the mass resignation of the European Commission.

When leaders gather in the Intercontinental Hotel in Berlin, they face a multi-layered set of negotiations expected to go to the wire. Mr Schröder, who chairs the summit, has an uphill battle to win concessions from Tony Blair over the British budget rebate, and faces similar intransigence from France over agriculture. He must also try to meet hopes that a new Commission president proba-

French farmers blowing straw on to riot police (left) yesterday as others burn barricades during a protest over Europe's agricultural policy reforms

Reuters

bly Romano Prodi, the former Italian prime minister, can be appointed as soon as Friday.

A deal is not expected until the small hours of Friday morning, when an array of compromises should be stitched together. Mr Schröder's presummit letter to fellow leaders

stresses how "difficult" and "arduous" the discussions will be. This is because the bulk of the talks focus on the thing that matters most to member states: money.

Perversely, the convulsions in Brussels have improved the prospects of a deal on financial

reform. Mr Schröder's letter argues that "following the resignation of the European Commission, it is even more urgent to conclude Agenda 2000 [EU reforms] in order to safeguard the EU from serious crisis - at least in the public perception". Britain's role is likely to be

central because of a continuing push by other members against its £2bn annual rebate. Germany is determined to cut its net annual contributions of £8bn and has for months been trying different tactics to target the rebate.

With deadlines looming, dif-

ferent ideas have been floated, including the notion that the rebate should be swallowed in a general mechanism helping all big-paying countries.

The latest German papers state that the rebate "will be maintained", but go on to suggest a series of moves which

could cost the UK hundreds of millions of pounds a year.

Politically, Bonn realises that Mr Blair cannot return to the UK having surrendered the rebate negotiated by Margaret Thatcher. The Prime Minister has, however, some leeway because Britain stands to gain some "windfalls". Signs of a concession by Italy should allow a change in the way national budget contributions are calculated.

At present contributions are based on national VAT receipts, hurting countries such as the UK and Germany, which are efficient at collecting the tax, but benefiting Italy, which is not. A move to a system based on gross national product helps

both Germany and the UK - which would gain around £100m. Similarly, a move to allow nations to retain 20 per cent, rather than the current 10 per cent, of the cash they collect for Brussels from customs duties and levies will help big trading nations, including the UK, which gains £99m.

This case could simply be surrendered outside the rebate to British farmers to the extent that Bonn wants. Whitehall is resistant but British officials concede that the aim is to ensure that the UK will not be worse off. The rebate is not covered spending outside the EU, including support for countries exporting to Britain; once new members are joined, the new rebate would be shared — something Germany wants to curb. An alternative is to exempt EU administration costs from the terms of the rebate. British concessions could depend on the outcome of agriculture talks which might also save money. Here the villain is Paris, which wants to postpone reforms.

President Jacques Chirac has described the common agricultural policy agreement as a "proposal" and has had to contend with large-scale protests by French farmers.

Will the total package be enough for Mr Schröder to sell to the German public? Wisely, the Chancellor is playing down expectations: he wants results, he says, but is "not expecting a big lottery win".

Leading article,
Review, page 3,
Roy Jenkins, Review, page 5

TONY BLAIR is to call for sweeping changes to the workings of the Council of Ministers, the European Union's key decision-making body, as it prepares for enlargement to include up to 10 more countries.

Britain is drawing up proposals to prevent Council meetings being bogged down in rambling discussions. Ideas include time limits on debates; a ban on "gatecrashers" turning up for meetings they should not attend; and sticking to strict agendas.

The plans are included in a Foreign Office paper, seen by *The Independent*, which draws on the lessons from Britain's six months in the EU's rotating presidency last year.

Mr Blair sees an opportunity to push for reforms after the crisis which has engulfed the EU since last week's report accusing the European

BY ANDREW GRICE
Political Editor

Commission of fraud and mismanagement. The Prime Minister has already called for big changes to the Commission and, as the Berlin summit of EU leaders gets underway today, is expected to publish a joint reform programme for Brussels with Austria. It will include the appointment of a "fraud-buster", modelled on Britain's National Audit Office, with the power to summon officials and to investigate all areas of EU spending.

In an interview on the eve of the summit, Mr Blair was sceptical about calls for the Council to be made more open. "It is all very well to say the Council of Ministers should be far more open but you might find it becomes less effective as a body if you did that," he said.

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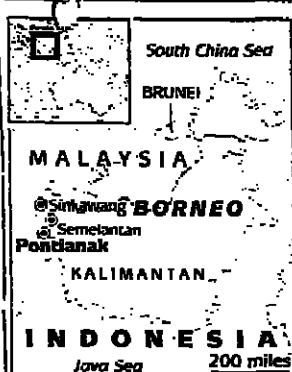
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Carnage and cannibalism in Borneo as ethnic conflict rages

BY RICHARD LLOYD PARRY
in Singkawang,
Indonesian Borneo



WESTERN PARTS of Borneo were in a state of anarchy last night after Indonesian soldiers opened fire on headhunting Dayak warriors in a drastic escalation of the island's savage ethnic war.

At least five Dayaks were shot dead during a gun battle with police in the district of Semelantan, in the West Kalimantan province where thousands of tribesmen are gathering from across western Borneo in a human manhunt.

More than 200 people, including young babies, have been decapitated and cannibalised in the area, where Dayak leaders and the Indonesian military have lost control of the local population. Hundreds more are being hunted down and butchered at the rate of some 30 a day.

The scenes along the road between the town of Singkawang and the village of Montrado yesterday afternoon defied belief. Five severed heads were displayed at checkpoints along the way, including those of a teenage boy and a middle-aged couple. Young warriors, armed with guns and wooden spears and smeared with blood, walked along the road openly carrying the hearts and livers of their victims as women and children looked on.

A few miles away, a group of a dozen Dayaks were roasting and eating another body which lay dismembered on a wall. A young Dayak man boasted that he had taken part in four killings of Indonesian settlers from the island of Madura. "We



Madurese refugees hunted by Dayak Christians take shelter in Pontianak, West Kalimantan, after their villages were torched

Achmad Ibrahim/AP

caught one of them this afternoon," he said, "and we killed it and we ate it, because we hate the Madurese."

Local government officials in Singkawang estimate that up to 500 others have been killed, although an accurate count is impossible because of the nature of the killings. "Sometimes we find a leg and sometimes an arm, so it's difficult to keep count," said AR Simon, a Dayak who is administrative head of the Semelantan area. "We try

to count the heads," Elias Ubeik, Dayak chief of the village of Montrado, said that at least 70 Madurese had been killed and beheaded in his village alone. He said he had seen six or seven children with their heads cut off. "Some are shot first, some are stabbed to death," he said. "They don't care about women, children; they kill everyone, including babies. They chop their heads off and they eat them."

Mr Ubeik was threatened with death by his own villagers after giving shelter to two families who had been tied up and were about to be killed by Dayak warriors. "The people trying to kill them had come from another district and they were so angry, I was almost killed myself. I am their leader and I cannot cool them down."

The Indonesian security forces have even less control of the situation. At about 4pm yesterday, Mr Ubeik's eight refugees boarded a military

convoy which was passing through the area attempting to save Madurese fugitives. At least 150 soldiers in a dozen trucks and two armoured cars were outnumbered by a mob of Dayak warriors who followed them down the jungle road.

Five miles down the road, the Dayaks attacked with hunting rifles, and the soldiers responded with a volley of gunfire. Witnesses described them taking level aim into the jungle with automatic rifles.

At least five Dayaks were seen lying by the road dead or seriously wounded, before the convoy proceeded to Singkawang. This nightmarish conflict began last month. More than 10,000 Madurese refugees had already fled villages along the coast, where the ethnic cleansing was instigated by mobs, mainly of ethnic Malays.

The mobilisation of the Dayaks of the interior raised the stakes drastically. Many of those arriving in Semelantan

Vatican nudges closer to China

BY TERESA POOLE
in Peking

WHILE A physically frail Pope dreams of one day visiting China, the Vatican is pushing for improved relations with the country, despite tough conditions set by Peking.

A state visit to Rome this week by President Jiang Zemin has prompted an olive branch from a senior Vatican official, who publicly said the Holy See was willing to "modify" its diplomatic recognition of Taiwan. Low-level negotiations have been going on for more than a decade, with Peking turn between wanting to see the Vatican sever diplomatic ties with Taipei, and fearing anything that would promote Catholicism on the mainland. For the Vatican, China represents the world's biggest potential market of converts. For Peking, the image of huge crowds gathering for a papal visit - as recently in Cuba - is unthinkable.

Now the Vatican is making the moves to reach a compromise on China's two strict conditions: that the Vatican cut diplomatic ties to Taiwan, and that it "must not interfere with China's internal affairs by means of religious activities".

This week, in an interview with the *Corriere della Sera* newspaper, the Vatican Foreign Minister, Archbishop Jean-Louis Tauran, said: "We are aware that in order to normalise our relations with Peking we will have to modify the form (of relations) with Taipei... We are willing to negotiate." Peking is demanding a severing of relations as a precondition for negotiations.

Taiwan yesterday warned the Holy See against falling for Chinese "hypocrisy". Roy Wu, the Foreign Ministry spokesman, said: "The Chinese Communist regime has always been hostile to religions. The Vatican must not be fooled by their pretence to be good."

All religions are burgeoning in China, trying to fill the spiritual void left after the ideological collapse of Communism.

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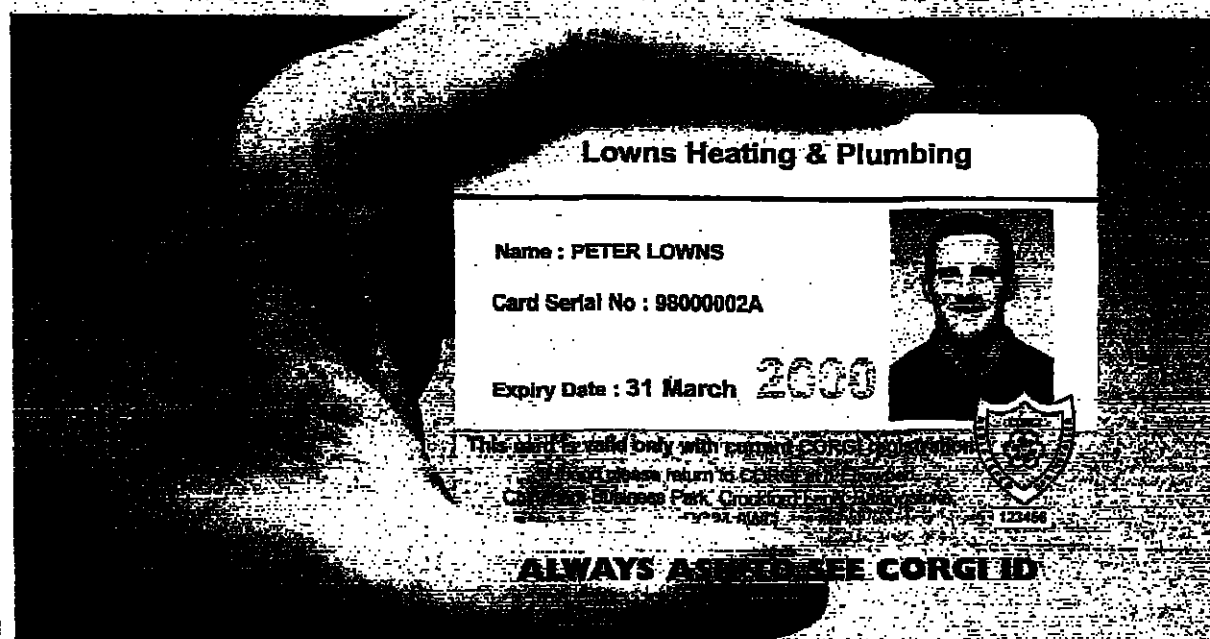
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THE WATCHDOG WHOSE WATCHWORD IS SAFETY

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Paraguay coup fear after assassination

PARAGUAY WAS thrust into the worst turmoil of its 10-year-old democracy yesterday after the Vice-President, Luis Maria Argana, 64, one of the country's longest-serving politicians, was assassinated in the capital, Asuncion.

The whole city shut down and residents expressed fears of a new military takeover as news spread that gunmen had fired on Mr Argana's vehicle as he drove to work yesterday morning. He was hit by at least 10 bullets in the head and body. Tension rose as troops and police poured into the streets to maintain order when the Vice-President's supporters gathered at the murder scene.

There was little doubt that the killing was the result of a power struggle among politicians of the long-ruling Colorado party, closely tied with the military that ruled for 35 years until 1989 under the dictator Alfredo Stroessner. Mr Argana

BY PHIL DAVISON
Latin America Correspondent

had been foreign minister and head of the Supreme Court under General Stroessner.

Mr Argana was in line to take over from the President, Raul Cubas, if the leader were to be removed. Congress began impeachment proceedings against the President last week, accusing him of abuse of power.

President Cubas has ordered the release of General Lino Oviedo, who had tried to launch a military coup against then president Juan Carlos Wasmosy in 1996 and was later sentenced to 10 years' jail. General Oviedo's release late last year led to a split within the Colorado party between factions supporting either Mr Cubas or Mr Argana. Paraguayans knew the split was deep but only yesterday did they realise it was deadly.

Mr Argana felt he had been



Argana: Victim of power struggle in ruling party

robbed of the party's presidential nomination, and in effect the presidency, in 1993 as a result of a military-inspired intrigue to install Mr Wasmosy as the candidate. Mr Wasmosy won the presidency and ruled until last year.

Mr Argana felt robbed again last year. He was defeated in the party primary for presidential

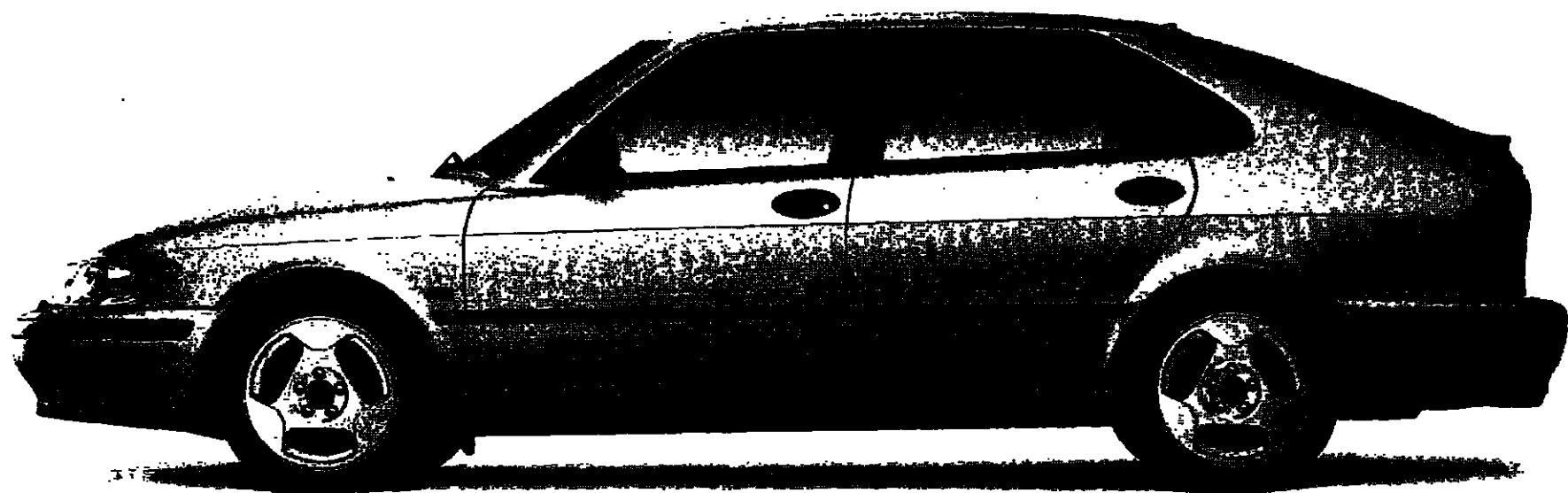
candidate by General Oviedo, who planned to run his campaign from jail but was later barred from the race. Mr Cubas was then given the candidacy, won the presidential election last May and freed General Oviedo later in the year.

Mr Argana's role as Vice-President was becoming increasingly uncomfortable after Congress, despite a Colorado party majority in both chambers, voted to start impeachment proceedings against Mr Cubas. Mr Argana had persuaded his supporters within Congress, although from the same party as the President, to vote in favour of the impeachment move. Mr Cubas's supporters were furious.

There was no indication yesterday who the gunmen were but the authorities blocked all land borders and launched intensive airport checks to stop them leaving the country. *Obituary, Review, page 7*



Former anti-apartheid cleric Allan Boesak arriving at court in Cape Town with his wife, Elina, after being found guilty of fraud and theft of funds donated to his Foundation for Peace and Justice. Sentencing is expected today. *Reuters*



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'Matey' charter irks Australia

EXTOLLING THE values of "fairness", "independence" and "mateship", Australia's Prime Minister, John Howard, released a draft for a new constitutional preamble.

The Liberal-National government says it wants public comment on the draft before putting it to the people in conjunction with a referendum on becoming a republic.

Describing Australia as a nation "woven together of people from many ancestries and arrivals", it says: "Since time immemorial our land has been inhabited by Aborigines and Torres Strait Islanders, who are honoured for their ancient and continuing cultures."

Mr Howard wrote the preamble with the help of the poet Les Murray, a defender of outback values. "Australians are free to be proud of their country and heritage," it says. "We value excellence as well as

BY JOANNA JOLLY
in Sydney

fairness, independence as dearly as mateship."

But the document, released yesterday, has been criticised as badly written, sexist and unacceptable to Aborigines.

The Aboriginal and Torres Strait Islander Commission chairman, Gatji Djerrkura, criticising the reference to Aborigines, said it was always clear that Mr Howard had no plans to recognise indigenous Australians as custodians of the land rather than as "inhabitants".

Women's groups objected to the use of the word "mateship" as "coded masculine" and not representative of the contribution of women to the nation. Critics have also complained that the preamble is badly written, describing it as corny in parts.

Park war over loose dog law

AMERICAN TIMES
NEW YORK

IT IS easy to get upset about Rudolph Giuliani. His take-no-prisoners style as mayor of New York City has earned him high marks politically, as well as re-election last year. Next year, he may run for a US Senate seat (possibly against Hillary Rodham Clinton).

But the Rudy regime can seem repressive. Right now, the mayor is struggling to quell a crisis arising from a horrendous incident in early February: the shooting of an unarmed African immigrant in the Bronx by four white police officers. The shooting has crystallised resentment in the black community towards Giuliani's police force. But anti-Giuliani sentiment also attaches itself to trivial issues. Dog-walking, for instance.

Dogs would not be natural fodder for a city's tabloid headline writers, you might imagine. Wrong. When protesters recently compared the mayor to Hitler and likened his police to the Gestapo, dogs were the issue.

Since early February, Mr Giuliani, assisted by the Parks Commissioner, Henry Stern, has been extending the zero-tolerance policy approach so effectively applied to thieves and murderers to dog owners. His mission has been to enforce the so-called "leash laws" that dictate when a dog is allowed to run without restraint from a lead.

Mr Stern has deployed armed police officers, some on horseback, daily to Central Park and Riverside Park, both popular with dog owners in Manhattan. They have been issuing summonses in blitzes. First offenders are fined \$100. Penalties go up to \$1,000 for repeat offenders.

Nobody is saying that dogs should be free to rampage everywhere. But it did not

help when Mr Stern - whose own dog is called Boomer - publicly vented about the "dog terrorists" who, he claimed, cause \$250,000 a year in damage to his parks.

He later attempted to clarify his remark. "The campaign is directed against a minority of wilful, arrogant dog owners," he said. "They're like die-hard National Rifle Association members." (He might have omitted that last part.)

The scene every morning in Riverside Park is a blend of comedy and paranoia. Dog owners complain of a "Cowboys and Indians" atmosphere, with Mr Stern's rangers popping out from behind trees and bluffs to snaffle their prey. "It was a posse, an ambush," said one woman caught giving her boxer moments of leash-free frisking.

But in matters of zero-tolerance there is no room for humour. Park officials were serious when they contacted the mayor to Hitler and likened his police to the Gestapo, dogs were the issue. Since early February, Mr Giuliani, assisted by the Parks Commissioner, Henry Stern, has been extending the zero-tolerance policy approach so effectively applied to thieves and murderers to dog owners. His mission has been to enforce the so-called "leash laws" that dictate when a dog is allowed to run without restraint from a lead.

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DAVID USBORNE

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BUSINESS

Granada stalks Scottish with £110m share buy

A TAKEOVER of Scottish Media Group moved a step closer yesterday after Mirror Group sold its 18.6 per cent stake in the broadcaster and newspaper publisher to Granada, the media and hotels giant, for £110.3m.

The long-awaited sale, which was flagged by Mirror Group earlier this month, puts Granada ahead of its rival ITV broadcasters, Carlton and United News and Media, in the race to take control of SMG.

Granada paid 91.5p per share for the stake, an 8 per cent premium to SMG's closing share

price on Monday. News of the sale lifted SMG shares 22p to 865.5p yesterday.

Although rules governing the amount of television advertising that can be controlled by a single broadcaster currently prevent Granada from bidding for SMG, buying the stake allows Granada to block its rivals from mounting a bid while waiting for the rules to change.

The Government is coming under increasing pressure to ease the ownership restrictions

on ITV companies as Channel 3 faces competition from the exploding number of digital channels. However, the law is unlikely to be changed before the next election.

Although Granada said it had "no present intention" of bidding for SMG, it said it reserved the right to change its stance if another group built a stake of more than 15 per cent.

This means that Granada will be free to bid if one of its rivals buys the 18.6 per cent shareholding in SMG owned by Flextech, the supplier of television channels. Flextech -

which is expected to report a pre-tax loss of around £5m today - is thought to have been in talks with a number of potential buyers about selling the stake. CanWest, the Canadian broadcaster, is believed to be interested in taking a stake.

Analysts said the situation was similar to the takeover of Yorkshire Tyne-Tees Television in 1997, when Granada gradually built a 29.9 per cent stake in the ITV broadcaster before finally launching a full bid.

John Allwood, Mirror's chief executive, welcomed the deal.

"It's great news for Mirror Group," he said. "It's clean, and it gives us the money."

Mirror has talked to a number of potential buyers about the shareholding, but settled for Granada because it was offering an immediate deal. Other options are thought to have involved buying both Mirror and Flextech's stakes as a launchpad for a full bid for SMG.

Under the terms of the deal, if Granada sells on the stake in the next 12 months it will have to pass on any profits it makes to Mirror.

Combined with the sale of the

former headquarters in Holborn for £40m, which was announced last week, Mirror has reduced its debt load by £150m in the space of a few days.

In a related development, the Independent Television Commission yesterday rejected a claim by British Sky Broadcasting that ITV should be forced to supply its new channel, ITV2, to the satellite broadcaster's platform. ITV2 is currently only available on ONdigital, the broadcaster jointly owned by Granada and Carlton, and cable television.

Outlook, page 19

BRIEFING

BUSINESS REVIEW



STAGECOACH!

AN ACT OF THE EVILS OF THE NEW WEST

Inside: How the boys from Yahoo! beat Rupert Murdoch and Bill Gates into Cyberspace, page 5

Losing it with flowers: the man who blew £10m, page 4

Who's the most switched on TV executive? page 6

The 12-page Business Review, free every Wednesday

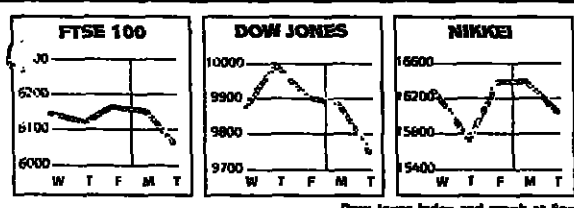
Canary Wharf float oversubscribed

THE FLOATATION of the Canary Wharf office development in London's Docklands is thought to have been at least twice subscribed, prompting its advisers to bring the announcement of the float price a day forward to tomorrow. The company aims to sell a 25 per cent stake to raise about £470m to £585m.

French banks go on offensive

FRENCH BANKS Société Générale and Paribas, who are fighting to keep their merger plans alive following a \$39bn counterbid from rival BNP, will today go on the offensive. Société Générale and Paribas are expected to reveal that the cost savings now look likely to be higher than the Fr800m promised last month.

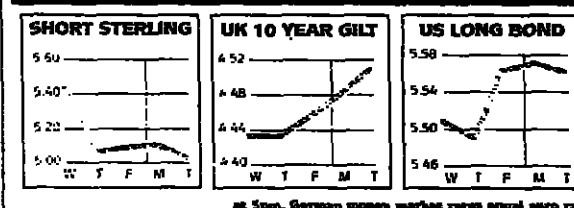
STOCK MARKETS



Dow Jones index and graph at 5pm

Index	Close	Change	Change (%)	52 wk High	52 wk Low	Yield (%)
FTSE 100	5060.50	-92.30	-1.80	6365.40	4599.20	2.58
FTSE 250	5475.60	-12.80	-0.23	5970.90	4247.60	3.13
FTSE 350	2897.10	-38.00	-1.30	3024.90	2210.40	2.87
FTSE All Share	2897.75	-35.25	-1.24	2923.85	2143.55	2.71
FTSE SmallCap	2395.10	-4.00	-0.17	2799.80	1834.40	3.92
FTSE Fledgling	1297.80	-5.20	-0.40	1517.10	1046.20	4.08
FTSE AIM	854.30	-2.40	-0.28	1146.90	781.30	1.07
FTSE Europe 100	2838.33	-56.99	-1.97	3079.27	2018.15	2.06
FTSE Europe 300	1228.62	-22.90	-1.83	1332.07	880.63	1.94
Dow Jones	9745.95	-142.35	-1.44	10085.31	7400.30	1.62
Nikkei	16019.10	-399.68	-2.47	17111.59	12787.90	0.88
Hong Kong	11041.01	-166.22	-1.49	11926.16	8544.79	3.23
Dax	4615.03	-112.93	-2.43	5217.83	3833.71	1.75
S&P 500	1272.69	-24.21	-1.87	1323.88	923.32	1.26
Nasdaq	2349.29	-46.24	-1.93	2533.44	1357.09	0.29
Toronto 300	5503.60	-93.07	-1.67	5837.70	5320.90	1.93
Brazil Bovespa	10485.99	-138.32	-1.31	12339.14	4575.69	5.50
Bombay BSE 20	3214.60	-76.22	-2.33	3713.21	2696.26	2.05
Asiatic South	532.58	-11.99	-2.23	590.55	366.58	1.34
France CAC 40	4079.47	-117.59	-2.80	4404.94	2881.21	1.77
Malay MIB30	3559.00	-66.00	-1.86	3917.00	2417.00	1.07
Madrid Ibes 35	9728.40	-226.70	-2.36	10988.90	6869.90	1.79
Irish Oversea	5373.49	-57.33	-1.06	5581.70	3732.57	1.55
S Korea Comp	514.34	6.60	1.29	651.95	277.37	1.00
Australia ASX	2987.60	2.10	0.07	2996.30	2386.70	3.98

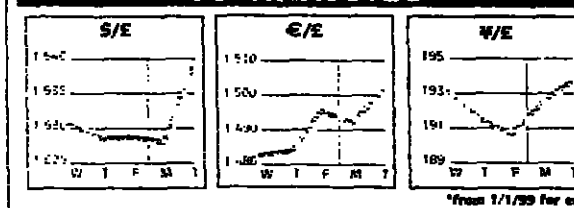
INTEREST RATES



at 5pm. German money market rates equal euro rate

Index	3 month	6 month	1 year	10 year	15 year	Long bond	Yr chg
UK	5.35	-2.21	5.27	-2.29	4.51	-1.41	4.48
US	5.00	-0.80	5.32	-0.50	...	...	5.56
JP	0.18	-0.52	0.23	-0.41	1.80	0.03	2.61
Germany	3.02	-0.51	3.01	-0.78	4.00	-0.88	4.96

CURRENCIES



From 1/1/99 for euro

Index	15395	+1.01c	1.5725	...	...	...	...
Dollar	1.5395	+1.01c	1.5725	...	...	...	...
Euro	1.5010	+1.00c	1.4079	...	...	...	...
Yen	193.47	+41.19	218.90	...	...	...	...
£ index	105.00	0.00	107.00	...	...	...	...

OTHER INDICATORS

Index	13.48	-0.10	14.46	...	...	...	...
Spain CN 15	13.48	-0.10	14.46	...	...	...	...
GDP	282.95	-1.70	297.75	...	...	...	...
Govt	5.73	0.10	5.92	...	...	...	...

TOURIST RATES

Australia (\$)	2.4664	Mexican (nuevo peso)	14.46
Austria (schillings)	19.92	Netherlands (guilders)	3.1927
Belgium (francs)	58.55	New Zealand (\$)	2.9053
Canada (\$)	2.3933	Norway (kroner)	12.29
Cyprus (pounds)	0.8374	Portugal (escudos)	289.04
Denmark (kroner)	10.85	Saudi Arabia (rials)	5.9258
Finland (markka)	6.8501	Singapore (\$)	2.6723
France (francs)	9.5155	South Africa (rand)	9.6310
Germany (marks)	2.8464	Spain (pesetas)	240.68
Greece (drachma)	467.25	Sweden (kronor)	13.02
Hong Kong (\$)	12.22	Switzerland (francs)	2.3252
Ireland (pounds)	1.1411	Thailand (bahts)	55.14
India (rupees)	61.97	Turkey (liras)	573842
Israel (shekels)	6.0449	USA (\$)	1.5886
Italy (lira)	2820		
Japan (yen)	188.90		
Malaysia (ringgits)	5.8677		
Malta (lira)	0.6205		

Rates for indication purposes only
Source: Thomas Cook

BTR and Siebe pay £500,000 to become Invensys

BY MICHAEL HARRISON
Business Editor

BTR SIEBE, the merged automation and controls group, yesterday joined the growing band of companies which are adopting meaningless new names by announcing that it is henceforth to be known as Invensys.

The name was chosen after a four-month trawl through 3,000 possibilities. The exercise has cost shareholders £500,000 - of which £400,000 has gone on legal search fees and £100,000 to pay the corporate rebranding gurus, Interbrand, Newell and Sorrell.

The company whittled down the 3,000 possible names to a shortlist of five, which was then put to a secret ballot of the board and its 50 most senior executives.

Lord Marshall, the chairman of BTR Siebe, declined to say whether Invensys was the name he voted for. But he was said to be "very happy" with the result of the ballot.

Invensys, which is apparently suggestive of innovation, inventiveness and BTR Siebe's drive towards systems solutions, was "head and shoulders" above the alternatives, a spokesman added.

He conceded that one option would have been to keep the existing name but neither BTR nor Siebe were strong enough brands in themselves, unlike, say, Honeywell and Siemens.

The name change is subject to shareholder approval at an extraordinary meeting in April.



Sir Paul Nicholson, Swallow chairman, will resume talks with other interested parties

Vaux job losses loom as brewery buyout talks fail

BY ANDREW VERITY

SWALLOW GROUP, the Sunderland-based brewery, pubs and hotels company, has terminated discussions with a management buyout team seeking to rescue its breweries from closure.

The failure of the MBO may result in 600 job losses.

Swallow, known as Vaux Group until a month ago, briefed staff at its landmark brewery in Sunderland to warn them of redundancies after non-executive directors vetoed the buyout.

Peter Catesby, chief executive, said the talks had finally collapsed over a supply agreement which, according to observers, would have forced

Swallow to subsidise the buyout team by committing itself to a three-year supply deal.

"The real issue was the difference in value between the alternatives and the management buyout," he said. "The buy-out had to be based on the fact that all the jobs would have been saved."

The collapse of talks followed initial questions in the City over the value to shareholders of the £88m price tag for the MBO, which would have included 350 Swallow pubs and the two breweries.

The buyout was led by Frank

Nicholson, a member of the family which has controlled Vaux for more than 120 years. Sir Paul Nicholson, current chairman of Swallow, is Frank's brother.

Martin Grant and Neil Gosage were dismissed as chief executive and finance director of the group last month after they raised concerns about the MBO proposal behind the board's back with leading shareholders. One shareholder said their position had been vindicated by yesterday's developments.

Swallow intends to resume discussions with other interested parties in its efforts to sell the brewery.

Inflation drop renews calls for rate cut

BY LEA PATERSON

INFLATION HAS fallen below the Government's target for the first time since Bank of England independence, official figures revealed yesterday, prompting fresh calls for UK interest rate cuts.

Heavy discounting on the high street helped take the underlying inflation rate down to 2.4 per cent in February, the first time it has dipped below its 2.5 per cent target since November 1994. Falls in second-hand car prices were another factor behind the surprise 0.2-point tumble in underlying inflation, according to data from the Office for National Statistics (ONS).

There was an even sharper fall in the headline rate of inflation, which dropped 0.3 points to a five-year low of 2.1 per cent. Recent falls in borrowing costs, which are not included in the underlying inflation measure, wiped almost 0.2 points from the headline rate in February.

Additional downward effects on inflation came from alcohol and chemist goods, although these were partially offset by food price inflation, which hit a two-and-a-half year high.

Sterling weakened to over 67p against the euro following the release of the figures, although it later made up lost ground to close at 68.6p. Short sterling

surged as analysts re-evaluated the chances of another interest rate cut next month.

The data prompted renewed rate cut calls from industry. Ian Peters, deputy director general of the British Chambers of Commerce, said: "The figures strengthen our view that the Bank of England should cut rates by half a per cent."

Analysts warned that the next set of inflation figures, which will take account of Budget increases in tobacco and petrol duty, are likely to be less favourable. The Budget changes could add almost 0.5 per cent to headline inflation, according to the ONS. However, few analysts thought these temporary effects would stand in the way of further rate cuts from the Bank.

Speaking in Manchester last night, DeAnne Julius, a member of the nine-strong Bank of England Monetary Policy Committee, said she hoped flexibility in the service sector would allow the economy to combine a high level of employment with low inflation.

Data released by the Engineering Employers' Federation yesterday showed that pay deals in the sector stabilised in the three months to February at 2.6 per cent.

Exercise bikes pedal into the RPI

PRICES OF food processors and exercise bikes have been newly included in the latest inflation figures, as government statisticians struggle to ensure official data reflect changing fashion trends, writes Lea Paterson.

The Office for National Statistics has also deemed dried cat food, television and computer repairs, and electric keyboards popular enough for inclusion in the Retail Prices Index, the official measure of inflation.

Among the casualties are traditional children's knee-length coats, which have been replaced in the index by shorter children's jackets after falling out of favour with modern parents. Car brake pads and washing machine repairs also number among the new inclusions.

The exclusions include packet soup and malt vinegar, both of which have been dropped as part of the annual RPI update.

Surveys show that these account for such a small proportion of expenditure that changes in their price have virtually no impact on real income.

Despite the statisticians' best efforts, RPI changes are often slow to pick up on new consumer behaviour. Personal computers were only included last year, while Doc Martens and mobile phones were in every high street long before they turned up in official price measures. Women's caravans have been reinstated to the index after several years' absence, even though their foray into the fashion spotlight is now well and truly over.

Officials at the Office for National Statistics stress that RPI changes are based on careful study of expenditure surveys, not individual tastes. These reassurances aside, few were surprised yesterday to learn that anoraks have, for many years, been a key RPI constituent.

AROUND THE WORLD'S MARKETS

LONDON

SHARES SUFFERED another reverse with the blue chip Footsie index down 92.3 points at 6,060.5.

Weakness in overseas markets, particularly New York, were cited as the reasons for the decline. The supporting indices also gave ground.

P&O, the shipping group, was one to steam against the tide, rising 45p to 860.5p. The shares responded to better-than-expected profits and the group's intention to dispose of its non core operations.

Derek Pain, page 21

NEW YORK

US STOCKS suffered their biggest drop in almost six weeks, amid concerns about falling profits at some of the country's largest blue-chips. By early afternoon, the Dow Jones Industrial Average was trading 157.9 points lower at 9732.61. The Nasdaq Composite fell 47.94 points to stand at 2348.

Coca-Cola was among the Dow's biggest fallers after Merrill Lynch cuts its earnings estimates for the company. Technology stocks were also in decline.

TOKYO

JAPANESE SHARES fell yesterday as domestic investors took profits ahead of the end of the fiscal year on 31 March. The Nikkei index closed down 359.68 points, or 2.2 per cent, at 16,018.10.

Dealers said that the fall had been sparked by a round of selling by institutions and companies, eager to boost their balance sheets before the end of the fiscal year. A number of Japanese blue-chips are believed to have unwound their cross-shareholdings in an attempt to flatter performance.

SAO PAULO

BRAZILIAN stocks followed international markets lower. In early trade, the Bovespa index was down 0.3 per cent at 10,495 points. Utility companies led the fallers amid heavy profit taking. Renewed optimism over Brazil's privatisation programme had pushed the shares higher in recent weeks. Markets failed to be moved by the Brazilian Central Bank's decision to trim overnight interest rates by 0.01 per cent. "It wouldn't have any great effect", one trader said.

FRANKFURT

THE GERMAN stock market closed sharply lower, hit by Monday's heavy losses on Wall Street and increasing uncertainty over the Kosovo crisis. The Xetra DAX index finished more than 3 per cent down at 4,870.49 points, within a whisker of the psychologically important 4,800 level. However, the blue-chip Deutsche Telekom phone group closed 0.4 per cent higher at 37.70 euros, on speculation of further rationalisation in the telecommunications sector.

Robinson

OUT

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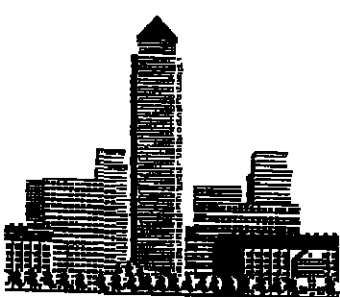
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Robinson takes a step nearer his goal

GERRY ROBINSON, chairman of Granada, has long believed that "there can only be one". Already he's been the original line-up of pretenders to the title. Now he appears set on advancing north of the border into Highlander territory.

As the ITV franchise-holders who have down through takeover and merger into fewer and fewer players, the question remains - who will eventually emerge as top dog? Mr Robinson thinks that in the end there will be only one, and he's determined that even if Granada doesn't own it outright, it will certainly be the dominant partner. For that title, however, he has still to fight it out with Lord Hollick's United News and Media and Michael Green's Carlton.

The acquisition of Mirror Group's 18.6 per cent stake in Scottish Media, owner of the Scottish and Grampian franchises, brings Granada a staging post closer to its goal. For the time being, the plans seem to stop Granada from going any further. The last reform of the broadcasting legislation allows companies to own as many franchises as they like, provided they keep within 15 per cent of commercial television viewing.



OUTLOOK

Separate competition rules prevent companies acquiring more than 25 per cent of ITV advertising. If Granada were to buy Scottish outright, both these ceilings might be breached. The company claims not, the industry disagrees.

What is not in doubt is that United and Carlton would suffer no such barrier. Certainly United, and possibly Carlton too, would be within the 15 per cent ceiling, and given that United already undertakes advertising sales for Scottish, that wouldn't have presented a problem either.

So Granada's move has to be seen as both defensive and offensive. Mr Robinson has bought the stake partly to stop others from doing it, but

also against the day when either the rules change or the advance of multi-channel TV reduces his share of viewing sufficiently below the 15 per cent ceiling to enable outright takeover.

Perhaps the most intriguing question is why neither United nor Carlton tried to outbid him for the stake. The answer to this is that they might have tried to (or at least one of them did), but they wanted to mop up Flextech's similarly sized shareholding at the same time so that the combined stake could be used as a launching pad for a bid. This proved complex and difficult, so Mirror instead opted for the clean break, no strings offer from Granada.

For Scottish, then, Granada possibly offers a kind of salvation. Even so, it would do well to remember the line from the movie Highlander - "there can only be one" - and the fact that as far as ITV franchise-holding is concerned, it was Mr Robinson who was the first to use it.

P&O clear-out

THREE YEARS ago that old sea-dog Lord Sterling looked to be dead in the water: P&O was a ragbag of humpy,

underperforming businesses that seemed destined either for an ignominious Hanson-style break-up or oblivion at the hands of a bigger, stronger suitor.

Lord Sterling's very survival on the poop-deck was in question. But he is nothing if not a fighter and by merging the cross-channel ferry and container businesses, floating Bovis Homes and selling off \$500m of property, Lord Sterling slowly restored the P&O brand sheet and his own reputation.

Now with the decision to trim back further to just three core divisions of cruises, ferries and ports, P&O will be more or less back where it started 160 years ago as a pure shipping group. Moreover, for the first time since he backed his Town & City group into P&O in the early 1980s, Lord Sterling will be bereft of any property interests to run.

This latest restructuring, coupled with P&O's first dividend increase in nine years, went down well yesterday. And why not? The flotation of the construction arm Bovis, the sale of Earls Court Olympia, and the disposal of P&O's remaining property interests, should raise around £20m. Further down the track, there is the prospect of another

\$300m from the flotation of P&O's share in P&O Nedlloyd.

As for the remaining core businesses, demographics and markets are moving in P&O's favour. When Lord Sterling refers to the growth in cruising he is not thinking of Sunset Boulevard but the expected doubling in the number of US citizens aged between 50 and 59 - the prime market for his Oriana and Aurora cruise ships.

On the downside, P&O will be focussed more firmly in cyclical markets. Meanwhile there is the constant threat of another cross-channel price war and the danger that the rising cost of care for the elderly will put a dent in the spending power of P&O's core leisure market. Still, Lord Sterling hardly needs to worry. His is 64 now and must surely be planning his own retirement cruise soon.

Finance fiddle

DAVID RUFFLEY, a Conservative MP on the Treasury Committee, yesterday accused Gordon Brown of fiddling the figures to hide the fact that he raised rather than reduced taxes in the recent Budget. He pointed out,

in the manner of one outraged, that the Red Book could present a falling tax burden only by virtue of classing the new working families tax credit as negative income tax rather than positive public expenditure. Quite right, Mr Ruffley. Power to your elbow.

But hold on a moment. Could this be the same Mr Ruffley who was once at the Treasury as a special adviser to the last Chancellor, Kenneth Clarke? Yes indeed, it does tend to take one to know one. It was after all the Conservatives who decided to class privatisation revenues as negative spending in order to keep down the published share of government spending in GDE.

All governments engage in sleight of hand when presenting the public finances. Any experienced scrutineer of the Budget documents knows that a few key tables, mostly in the appendix to the Red Book, tell you all you need to know - although even for the expert, changes in presentation and definitions make it a challenge.

Two weeks on from Budget Day, the political row now raging on whether Mr Brown misled everyone on the extent of the giveaway is shedding little new light on what he actually did.

The shape of the wood is clear behind the mass of trees. First, there is no doubt that a series of tough measures dating back to Kenneth Clarke's November 1996 Budget have raised taxes enough to get public sector borrowing back under control. Mr Brown has retained the excise duty "escalators" his predecessor introduced, along with the plan to abolish tax relief on profit-related pay, and added his own increases such as abolishing the dividend tax credit.

At the same time, the direct tax burden has gone down and new tax credits like the WFTC will put more money directly into the paypockets of many low earners. This year's Budget continued that process. It was broadly neutral but because there was also a small giveaway in lower personal taxes and higher government spending, it ought to add significantly to consumer purchasing power.

Is the overall tax burden rising? It is higher than it was before the election, but then public borrowing had to be reduced. As for the future, that depends on whether the economy grows as strongly as Mr Brown hopes. If it does, then the overall tax burden should begin to fall.

Brown hints at tax cuts still to come

GORDON BROWN insisted yesterday the Budget had reduced taxes, contrary to Opposition claims, and dropped hints of future tax-cutting budgets.

In tetchy exchanges with Conservative MPs on the House of Commons Treasury Committee, Mr Brown denied charges of "fiddling" the figures published in the Budget Red Book earlier this month.

David Ruffley, a former adviser to Kenneth Clarke, said the tax burden would be higher by the end of this Parliament. He said the published figures had reduced the apparent tax burden by treating the new Working Families Tax Credit as negative income tax. "You've got a lot of previous firms on fiddling the figures," he told the Chancellor.

Mr Brown said even including the WFTC, the Budget had cut taxes between this year and next. "We are reducing the tax burden next year, and as for the forecasts for future years, we are forecasting further falls."

He added: "The forecasts do not take account of the Budget next year and thereafter."

Sir Michael Spicer, a Conservative MP, asked whether

BY DIANE COYLE
Economics Editor

the three Labour Budgets combined had raised or lowered taxes. Mr Brown said the tax burden was forecast to be lower than under plans published by the previous government.

The latest twist in the row centred on calculations by the House of Commons Library, which excluded certain Budget measures to arrive at a net £100m tax increase over three years.

However, Mr Brown said there would be a net £20m in lower taxes over three years. The Government had gone from a £200m deficit to Budget balance in two years, he told MPs.

The Red Book shows tax and national insurance climbing from 35.4 per cent of GDP in 1996/97 to an estimated 37.2 per cent in the current year, falling to 36.6 per cent in 1999/2000 and 36.7 per cent in the following year.

Adding in the WFTC, which is counted as negative tax, takes the burden for the next two years to 36.7 per cent and 37.2 per cent.

Outlook, this page



Peter Austin, finance director (left), and Richard Holland, chief executive, of Boosey & Hawkes, the instrument maker and music publisher, which yesterday announced a 12 per cent fall in pre-tax profits to £7.1m. Andrew Burrman

8,600 UK jobs at risk in power generation merger

ALSTOM AND ABB joined forces yesterday to create the world's biggest power generation company in a move which leaves a question mark hanging over 8,600 UK jobs.

The two European engineering giants are to merge their power generation businesses into a 50:50 joint venture, ABB Alstom Power, which will have sales of \$1.1bn and an estimated 25 per cent share of the world market.

As part of the deal, Alstom will pay £1.5bn in compensation to ABB, which is contributing the bigger business to the joint venture.

But Alstom will recoup \$900m of this by selling its heavy duty gas turbine business to General Electric. GE currently pro-

vides the technology for Alstom heavy duty gas turbines.

Alstom and ABB said that the merger would produce savings of \$450m a year within three to four years. They are putting aside about \$670m to cover restructuring costs and job reductions among the 54,000-strong workforce.

Neither company would say how many jobs were at risk but Goran Lidal, ABB's chief executive, said: "In our extremely competitive industry we need permanently to improve efficiency."

ABB Alstom Power's 8,600 UK employees are spread across four locations - Lincoln, Rugby, Stafford and Knutsford. The two main manufacturing sites - Lincoln, which produces gas turbines, and Rugby, which makes steam turbines - are both owned by Alstom.

The merged business will leapfrog both GE and Siemens into number one place in the world league table of power station suppliers.

However, neither Alstom nor ABB said they expected to face any problems with competition authorities since a rationalisation of Europe's power generation equipment industry was long overdue.

The creation of ABB Alstom Power is in part a response to Siemens' acquisition last year of Westinghouse's non-nuclear power generation interests, a

deal which pushed Alstom down to fifth place in the world league.

Pierre Bulger, the Alstom chairman, said that its smaller size had begun to prove a handicap, putting it in a "worrisome position" in the European market.

According to an analysis by Datamonitor Industrial, ABB and Alstom respectively captured just 8 per cent and 7 per cent of the world power generation equipment market last year, compared with 29 per cent for GE and 15 per cent for Westinghouse.

Although yesterday's merger was instigated by Alstom, Mr Bulger said it had no plans to put its other two businesses, transportation and electrical transmission and distribution, into joint ventures.

RBOS sells global custody arm

THE ROYAL Bank of Scotland said yesterday that it has agreed the sale of its global custody business to Bank of New York for more than £500m.

The deal makes Bank of New York the largest custodian in the world with \$6 trillion of assets under administration.

BY ANDREW GARFIELD
Financial Editor

RBOS, which significantly expanded the business in 1997 when it acquired the custody business of the investment bank SG Warburg and of fund management group Mercury Asset

Management, is one of the largest providers of custody services in the UK. The business employs 1,500 staff, mainly in London and Edinburgh. It has over £400m of assets under administration including the pension fund assets of over half of the FTSE 100 companies.

Explaining the decision to withdraw from the business, Johnny Cameron, the managing director of corporate and institutional banking at RBOS, said: "We decided it would be better off as part of a group where this is a core business."

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Legal Notices

NOTICE OF RESOLUTION FOR PAYMENT OUT OF CAPITAL

AWAWARENESS LIMITED

NOTICE IS HEREBY GIVEN in accordance with Section 175 of the Companies Act 1985 that:

- The above-named company (the "Company") has approved a payment out of capital for the purpose of acquiring its own shares by purchase;
- The amount of the permissible capital payment for the shares in question is £57,000;
- The date of the resolution for payment out of capital is 18th March, 1999;
- A statutory declaration and auditors' report required by Section 175 of the Companies Act 1985 are available for inspection at the Company's registered office; and
- Any creditor of the Company may at any time within the five weeks immediately following the date of the resolution for payment out of capital apply to the Court under Section 176 of the Companies Act 1985 for an order prohibiting the payment.

Dated 22 March, 1999.

Mr. S. Skilnes
Director

THE INDEPENDENT ACT 1986

F & S HEATING LTD

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a Meeting of the Creditors of the above-named company will be held at 78 Heston Garden, London EC2N 8JA on 25th March, 1999 at 12.00 pm for the purpose of appointing a liquidator of the company.

For the purposes of voting, a secured creditor is required to deposit with the liquidator a statement of the security of his claim, together with a full statement of account at the registered office, New Garden House, 78 Heston Garden, London EC2N 8JA, not later than 12 noon on 24th March, 1999.

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Shares suffer in another poor day

FOOTSE HAS fallen 275 points since hitting a peak just eight trading days ago. Much of the retreat has occurred in heavy trading with daily turnover usually exceeding 1 billion shares.

So is the stock market merely suffering from an attack of vertigo or is the long decline that the bears have so often predicted at last starting to take place? That is the question occupying market professionals who are undoubtedly worried by the display since the record 6,335.7 level was achieved.

Their dilemma is increased by the new style market which has evolved in recent months. Last year a 1 billion turnover was the exception rather than the norm. This year volume has topped 1 billion on most trading days.

Many institutional traders are anxious to take a more active role in playing Footsie constituents. They have been

MARKET REPORT



DEREK PAIN

Tokyo's rally were other influences on a market which could have done with some corporate inspiration.

There was again an array of bids and deals outside the Footsie domain. Granada splashed out £110.3m (915p a share) for the Mirror's 16.6 per cent stake in Scottish Media sending the shares 22p higher to 865.5p. Flextech, figures today, has an 18.5 per cent SM stake and the market believes, could be happy to accept the Granada price.

Fitch, the design group, rose 21.25p to 59p on a 62p agreed US bid and Jarvis Hotels, another where a possible predator lurks, jumped 36.5p to 156.5p. Leicester City, where a bid seems to be kicking

around, scored a 4p gain to 45.5p.

Property group Greycoat, resisting a bid from George Soros related Delancey Estates, rose 5.5p to 205.5p.

But Regent Inns was at one time down 21.5p on the failure of its merger talks with rival SFL. However that the pubs chain is still in play had reduced the loss to 5p at 167.5p by the close. SFL was unchanged at 193.5p. Swallow fell 10.5p to 258.5p as its plans to sell its breweries and 350 bottom-of-the-barrel pubs floundered with the management buy out team presumably unable to meet the asking price.

Among blue chips Telewest Communications was spurred by thoughts that the 30 per cent stake held by MediaOne, merging with Comcast, will

encourage it to do so by the introduction of the computerised order book. It was noted to increase Footsie's volatility. The index's higher altitude also contributes to the now commonplace yawning swings.

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The current round of company results have also been much better than at one time seemed likely.

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Iceland's bright ideas bring booming sales

ICELAND, the high street food retailer, trumpeted the vindication of its strategy of putting "the heart before the head" yesterday when it posted a double-digit increase in sales for the second successive year.

The group said successful experiments with home deliveries, coupled with a high-profile stance on genetically modified foods, had contributed to a 13 per cent increase in "same condition" sales in the year to January - three times the level of its nearest rival, Tesco.

Shares rose 3.6 per cent to 263.5p on the back of a 27 per cent increase in profits at Iceland, which until two years ago was thought to be nearing the end of its shelf life.

Malcolm Walker, chairman and chief executive and the founder of the chain, said the jump in sales was the fruit of a series of intuitive decisions, against the grain of conventional retail wisdom.

"We invested home delivery. We were the first to offer telephone shopping in this country and we are the only provider. We banned GM products when the rest of the industry was dithering - and I still take personal credit for coining the phrase 'Frankenstein food'," he said.

Once regarded as a retailer specialising in frozen food at

bargain prices, Iceland struggled to compete in the early 1990s as Tesco, Sainsbury and Asda lured customers away to out-of-town superstores.

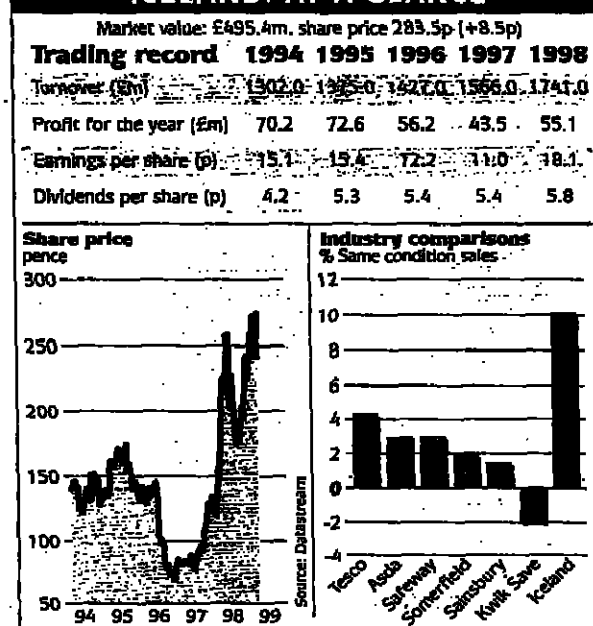
Its shares underperformed the market and the sector for five years, hitting a nadir in late 1996 when they languished at less than 80p. It was at that point that Mr Walker decided on a radical change of strategy.

The first initiative, home delivery, was introduced in 1997. It showed instant results. Iceland's four million customers could have their shopping delivered to their home, at no charge, after selecting items at a store. Home deliveries, now costing £1, represent 11 per cent of Iceland's sales - and the service is growing in popularity.

Iceland has also been helped by key management changes, with the appointment of Russell Ford as trading director and Andrew Fritchard as group finance director. Bernard Leigh, the deputy chairman, will retire this year.

Mr Ford has pushed through changes to Iceland's style, policies and its marketing, in favour of "pulse-racing deals", such as two chickens for the price of one. Staff have been asked to be more informal, joking with customers to sepa-

ICELAND: AT A GLANCE



rate themselves from the drab formality of the superstores.

An ethical stance on GM foods - guaranteeing no genetic modification - was worth millions in publicity value. After much hand-wringing, the superstores announced similar policies earlier this month. Iceland is also leading a campaign for "honest labelling" - avoiding practices such as including the giblets in the weight of the chicken.

Analysts yesterday welcomed the results, which came in ahead of expectations with pre-tax profit at £55.1m. They point out that Iceland is trading at a 35 per cent discount to the market.

At a time when Iceland looks much more robust than its competitors, the shares are on similar forward multiples of around 14. According to Merrill Lynch, Iceland's shares look cheap.

low price attached to Morse shares meant that they were likely to perform well in the next year.

As a result of the lower price, 3i and PFM Ventures, Morse's venture capital backers, decided to hold on to more of their shares. Some fund managers had complained that the investors were selling too large a stake.

At a share price of 250p Morse is valued at £306.7m. The flotation raised £80m in new money for the company, which it will use to pay down debt and fund its recent acquisition of a minority stake in Partner System, a French reseller.

Duncan McIntyre, the chief executive, said the group's main priority was to use its position as the leading reseller of Sun Microsystems servers to expand its operations in France and Germany.

"We want to become a European company and start exploiting our services business, which is currently only 5 per cent of revenues," he said.

Analysts said Morse is more vulnerable to fluctuations in demand than services groups, which tend to have stable order books.

However, they pointed out that, on a multiple of 23 times earnings for the year to last June, the shares look an attractive prospect.

Croda to cut costs as profits fall

CRODA INTERNATIONAL yesterday became the latest chemical company to unveil a slump in profits due to dire markets and the strength of the pound.

The fall in profits came as Croda announced it would close several non-core operations, with job losses likely, in a bid to reduce costs. The company declined to name the plants earmarked for closure but said the measures would cost £1m and yield annual savings of £4m from 2001.

The speciality chemicals group reported a 12 per cent fall in 1998 pre-tax profits before exceptional losses to £33m, on sales marginally higher at £354.9m. The figures were depressed by an £18m exceptional loss on the disposal of three businesses, leading to an overall profit figure

of just £14m, down 64 per cent on 1997. The disappointing figures forced Croda to leave the dividend unchanged at 10.5p.

The chairman Keith Hopkins said the results had been severely affected by the difficult trading conditions in many key markets. A collapse in demand in the financially-stricken Far East caused a profit shortfall in Croda's industrial chemicals division, which produces paints, inks and fire-fighting products.

The company's core speciality chemicals division, which supplies high-technology products to pharmaceuticals and cosmetics companies, was also hit by lower Asian demand, with sales in the region down 15 per cent. The unit's problems were



Keith Hopkins: Hit by Far East and strong pound

compounded by a sharp rise in the price of vegetable and palm oil imposed by Indonesia.

Croda's plight was deepened by the strong pound, which last year wiped nearly 10 per cent off

the group's profits and some 4 per cent off sales.

The finance director, Barbara Richmond, said many of Croda's markets were set to remain subdued throughout 1999.

David Phillips at Sutherlands said Croda's margins, at around 15 per cent, were among the best in the sector, but warned that the difficult trading conditions would persist in the near term.

However, Croda shares have fared better than many of its peers. After yesterday's 3.5p fall to 225p, they are on 13 times 1998 earnings of around £33m. This is an unjustified discount to rivals such as Laporte and BTP, which are better positioned to take advantage of a upturn in the chemical markets. At these levels, Croda is no more than a hold.

Rock with the bean-counters

I KNOW that accountants like to prove they're not boring, but this is ridiculous. A KPMG tax consultant has formed her own rock group, The Sensational Amanda Harvey Band, which will play at a leaving do for one of the firm's spin doctors this Friday.

Vocalist Amanda Harvey works with KPMG at Puddle Dock, just round the corner from the Fleet Street venue for the upcoming "gig". Richard Whitehead, a PR man with the firm, plays bass in the band, which is due to play its brand of "covers" this Friday at Phil Smith's leaving do at the City Golf Bar in Bridge Lane, off Fleet Street (3 at the door).

Mr Whitehead points out that the band played Wembley a month ago. The effect is somewhat punctuated when he explains it was in the foyer of the Wembley Conference Centre for a KPMG reception for small businesses.

Another KPMG tax manager, Rob Grant, plays lead gui-

PEOPLE AND BUSINESS

BY JOHN WILLCOCK

boardroom shake-up at HMV Media Group. David Kneale joins HMV as managing director of Waterstone's from the Boots Company, where he is managing director for international retail development.

The move follows the departure of the current chief executive at HMV Media, Stuart McAllister, due to ill health.

Mr McAllister headed HMV Media since it was created by a management buyout last March. Alan Giles, who was running the group with Mr Waterstone's as well as managing Waterstone's, becomes sole chief executive.

HMV shake-up

A SENIOR man at Boots is moving down the high street to head up Waterstone's, part of a



Jody Scheckter, the 1979 world champion, plans to use his standing in Formula One to help his sons, Toby (centre) and Tomas to progress in their motor racing careers

Mark Chilvers

Scheckter develops a dynasty

JODY SCHECKTER was never renowned for reticence. He's remembered almost as readily - in this country at any rate - for the pile-up he triggered at the start of the 1973 British Grand Prix as for delivering Ferrari their last driver's world championship, 20 years ago.

On and off the track, he was the quintessential South African: self-assured, forthright, uncompromising. The passing years have scarcely blunted his sharp edge, although those close to him maintain he has mellowed.

But circumstances? Palpably not. Invited to comment yesterday on the state of play at Ferrari, he suggested his former employers ought to find a new team-mate for Michael Schumacher, someone capable of pushing the German to greater heights. Since Schumacher's present partner is Northern Ireland's Eddie Irvine, who won the opening round of the championship in Australia, earlier this month, that represents a contentious statement.

Ferrari, like the reputation

for causing mayhem, are permanent baggage for Scheckter. He carried it with him to London, where he appeared in a less familiar guise, that of the caring father. In common with many of his peers, Scheckter maintained he had no desire to see his offspring follow in his tyre tracks, yet here he was, introducing motor racing's next dynasty.

His sons, Toby and Tomas, rejected golf and other more mundane careers, opting instead for the circuit. Toby, 20, is competing in this season's highly competitive British Formula Three Championship, the 18-year-old Tomas in the European nursery series, EFDA. They will race under the Jody Scheckter Racing banner, though as part of separate teams. Dad provides the name and publicity and that, in turn, is supposed to generate the necessary funding. "I'm really setting up a management team within teams for my boys," Scheckter explained. "At the end of the day, you need sponsorship."

"I've certainly not pushed

Ferrari's last world champion is helping his sons to follow in his Formula One footsteps. By Derick Allsop

them into this. I wanted them to do well at school and so on, but I couldn't stop them doing this. Motor racing chose me, so I can understand."

"I don't want to form my own team and in any case, it's good for them to learn to work with other people. I'm there if they want me. A good coach puts pressure on when a driver needs it, a bad coach puts it on when he doesn't."

"Their toys are much bigger and better than I had at their age. But you have to do it professionally. If you don't you never win, unless you're Schumacher. But there's only one of those in Formula One now."

Scheckter he sees some of himself in Toby ("the fear of defeat") and other of his characteristics in Tomas ("he spends too much time on the grass").

He expands: "Toby is very quick, but he doesn't have as much natural talent as his

brother. Tomas is a real racer, more of my style. They've both got potential, and if you're in single seater racing you have to aim for the top, that's Formula One. Sure I got that feeling in

the stomach. Any father would. It's a dangerous sport. But you have to accept it."

Yes, he would like to see them drive for Ferrari one day, but only if the Italian team



The remains of the pile-up involving Jody Scheckter's McLaren that halted the 1973 British GP at Silverstone

have a competitive car. The sons concur: "I'd rather be in a Jordan if a Jordan is better than a Ferrari," Toby reasons. Tomas is unequivocal in his choice: "Right now it would have to be McLaren."

Not that the young Scheckters are dreaming beyond their means. They know they have some proving to do before that. They also stress they are racing because this is what turns them on.

"You've got to do it on your own," Toby said. "The family name doesn't guarantee anything. I create my own pressure to do well. It's nothing to do with dad. People are always asking about him, but I want this just as much as any other guy out there."

Tomas admits he is prone to taking the agricultural line. "It's true, I go on the grass a lot. I shunted the car five times in eight tests last year. All I think about is going forward, putting pressure on the driver in front of me, forcing him into a mistake."

Dad, out of earshot, would

have enjoyed that, just as he makes no bones about the fact he still wallows in the distinction of being Ferrari's last champion.

"They've got to do it this year," he said. "Mind you, that's what I said last year. Ferrari do a great job, but McLaren had the advantage last year and it looks as if it's a similar situation this year."

So how might they bridge that gap and make Schumacher their next champion?

"They should have a more aggressive team-mate for Schumacher, that would lift him to another level. When you're faster than your team-mate on every corner you learn nothing. When I got Gilles Villeneuve as my team-mate it lifted me to another level. I haven't seen Irvine within half a second of Schumacher."

Scheckter nominates Giancarlo Fisichella, Benetton's Italian driver, as a candidate to join Schumacher but maybe if they are patient enough there will be another Scheckter along to help them out.

Supple clear of doping offence

DRUGS IN SPORT
By Mike Rowbottom

PAUL SUPPLE, a former British weightlifting champion, has been cleared of a doping offence in a case which appears to raise awkward questions about the testing procedure employed.

Supple, national champion at the 84kg weight in 1994 and 1996, has now resumed training for next year's Olympics, seven months after being suspended following an adverse finding for illegal testosterone levels.

His suspension, which was confirmed by a disciplinary hearing of the British Amateur Weight Lifting Association on 21 November, was revoked on appeal. The appeal committee which met on 13 March concluded that the standard procedure for verifying testosterone findings had not been carried out by either BAWLA or the UK Sports Council, the body responsible for the testing programme.

According to the International Olympic Committee doping rules under which BAWLA operates, any sample where the testosterone to epitestosterone ratio is greater than 6:1, the legal maximum, a further investigation and/or examination has to be carried out before findings can be declared a result.

A statement issued yesterday by Supple's legal representatives said the BAWLA appeal committee "decided that they were not satisfied that further examination had taken place and had therefore lifted the suspension."

"We are considering whether any action should now be taken on Paul's behalf," said Fraser Reed, Supple's legal representative. "He has had to endure seven months of anxiety before his name has been cleared. It meant he had to miss last September's Commonwealth Games in Kuala Lumpur, where he would have been a potential medal winner."

"This case has shown up a lot of irregularities in the test procedure. It isn't clear whether the responsibility lies with the UKSC or BAWLA." A spokesman for the UKSC said he was unable to comment as the Council was still awaiting official notification of the appeal findings from BAWLA.

Three years ago, the most widely known case of an adverse testosterone finding concluded with a judgment which cleared athlete Diane Modahl of a four-year ban. Her defence also succeeded on procedural grounds, although in her case the irregularities centred on the incorrect storage of her sample by the organisation responsible, the International Amateur Athletic Federation.

Doug Walker, who produced an adverse finding indicating illegal steroid levels in December, is expected to find out today whether he has a case to answer. The evidence was weighed yesterday by a UK Athletics committee comprising Michael Beloff QC, former British athlete and team manager, Joan Allison, and medical experts Professor Hugh Makin and Professor Vivian James.

The Scot, who won the European 200m title last summer, has not competed since the test was announced, even though he is legally able to. He has denied knowingly taking any banned substance.

Virgin back 'relieved' Mackenzie

THE PROSPECTS of Niall Mackenzie competing for a fourth successive British Superbike title were sinking faster than a lead balloon until the timely intervention of the Virgin millionaire, Richard Branson.

The three times champion and former grand prix rider has been the series' dominant figure for the past three years. Yet until last week, the Scot's Yamaha team, whose sponsorship deal with Cadbury's Boost was wrapped up at the end of last season, were without the corporate backing required to mount another viable challenge.

Enter the publicity-conscious tycoon and the offer of a financial lifeline that ensures Mackenzie and his No 1 plate will now appear in the 12-round campaign that opens at Brands Hatch on Sunday.

The veteran rider was beginning to wonder if he would be racing again when news of the deal reached him in Jerez, Spain, where the team - newly christened Team Virgin Yamaha - was testing its shiny new YZF-R7.

"The team had been trying to find a sponsor but we still hadn't secured anything by last

MOTORCYCLING
By Andrew Martin

week," Mackenzie said yesterday. "I was really surprised that we'd gotten into that situation with our track record."

Understandably, Mackenzie is now a happy man - "relieved is an understatement" - after a few nervous months and an exercise in financial brinkmanship that has inevitably hampered preparations for the coming season.

"Our testing of the new bike has been limited because we didn't have a sponsor and it's been a mad rush to get the bike repainted and get a new set of leathers, but it's finally fallen into place," he added.

Never one to miss a PR opportunity, Branson issued

an effusive statement yesterday to herald the deal. "We couldn't resist the temptation of supporting one of the finest riders in a generation," it read.

Mackenzie's talent is undisputed and acquiring the backing of the ambitious Branson - the thwarted global balloonist also owns a sizeable chunk of the London Broncos rugby league club - is a notable coup.

Mackenzie will need all the backing he can muster as this season he faces fierce competition from James Hayden's works-backed Suzuki and the Ducati-mounted Troy Baylis as well as the Kawasaki pairing of Chris Walker and Steve Hislop.

Chris Walker and Steve Hislop.

Hackett's world record

GRANT HACKETT broke the oldest world record in men's swimming yesterday, the 200 metres freestyle, at the Australian national championships in Brisbane.

Swimming the first leg of a 4x200m relay, the teenager shaved two-hundredths of a second off the 1:46.69 mark set by the Italian Giorgio Lamberti at the European Championships in Bonn in August 1998.

Hackett, the world 1,500m champion, appeared astonished when he saw his time of 1:46.67, before throwing his arms out in triumph. "I'm just amazed at what I've done because I'm not a sprinter," said

SWIMMING

Hackett, who won the individual 200m freestyle on Monday ahead of Ian Thorpe and Michael Klim.

The 18-year-old had never won a major 200m race before he upset Klim, world champion at the distance, and Thorpe, world champion at 400m, in Monday's race. Then he was inside Lamberti's world record schedule at the half-way mark before tiring.

Thorpe swam the second fastest time in history for the 400m on Saturday, beating Hackett in the process. However, he was well beaten in the

individual 300m by Hackett, whose winning time on Monday was just 0.3sec outside the Italian's old record.

Hackett's achievement overshadowed another record-breaking swim by Susan O'Neill, who broke the longest-standing record of all last month when she eclipsed Mary T Meagher's 18-year-old mark for 200m butterfly in a short-course pool. Yesterday O'Neill, who also holds the world and Olympic titles in butterfly, broke the Commonwealth 200m freestyle record, winning in 1:59.11 to carve 0.63sec off the mark of 1:59.74 set by the Englishwoman June Crofts in 1982.

any banned substance.

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AUSTRIA						
Kitzbühel	100%	Good spring snow	20	170	23.3	Mixed
Lofers	100%	V good at altitude	30	260	23.3	Mixed
BULGARIA						
Borovets	100%	Much fresh snow	50	160	20.3	Variable
CANADA						
Whistler	95%	Spring conditions	65	140	15.3	Snow
FRANCE						
Les Orres	85%	Lower runs poor	30	60	22.3	12C Changeable
Megève	97%	Fresh snow	90	260	22.3	2C Unsettled
ITALY						
Sin Cristiano	98%	Fresh snow	30	80	22.3	-12C Changeable
Sanza d'Ossola	56%	Snow deteriorating	20	40	21.3	3C Sunny spells
SCOTLAND						
Glengorm	90%	Crusty spring snow	5	35	22.3	2C Windy showers
SWITZERLAND						
Zermatt	90%	Great conditions	65	220	23.3	2C Variable
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Jackson Hole	100%	Spring conditions	245	420	22.3	-1C Clear

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Ibrox in ring for rematch

IBROX STADIUM in Glasgow yesterday became the latest venue to emerge as a possible contender to stage the Lennox Lewis-Evander Holyfield heavyweight unification rematch.

Lewis's promoter, Panos Eliades, and his manager, Frank Maloney, are to meet officials of the stadium's owners, Rangers football club, tomorrow for discussions about hosting the fight.

Yesterday Maloney had talks with Tom Shore, the sales director of the new 75,000-capacity Millennium Stadium in Cardiff, with a view to staging the fight in the Welsh capital, where Lewis stopped Frank Bruno in October 1993 in his first term as World Boxing Council champion.

Eliades, though, still believes Las Vegas will emerge as the favourite location. It is believed that the newly opened Mandalay Bay Hotel, which contains an 18,000-seater arena, is showing a big interest in staging the

BOXING

remunification rematch. The last major boxing staged at Ibrox was Jim Watt's WBC lightweight title defence against America's Howard Davis in June 1980.

Meanwhile it has emerged that a late flood of bets, said to total more than \$1m (£635,000), were placed on Holyfield just before he stepped into the ring with Lewis, drawing the attention of investigators.

The Nevada Gaming Control Board has confirmed that it is investigating money placed at a number of Las Vegas betting outlets in the hours before the fight in New York on 13 March. Almost all of the bets were refunded after the fight was ruled a draw, even though Holyfield appeared to have lost.

The probe by gambling regulators comes on top of investigations by a Manhattan grand jury, a state Senate committee and the New York State Athletic Commission.

Nevada investigators are primarily concerned with whether the money was bet on behalf of one individual or group by so-called "messengers" better, which is against Nevada law.

The judge who came under fire for scoring the Lewis-Holyfield encounter as a draw, Larry O'Connell, will come into contact with Maloney again at the Royal Albert Hall on 3 April. O'Connell is due to referee the Maloney-managed Julius Francis in his British heavyweight title defence against Brixton's Danny Williams.

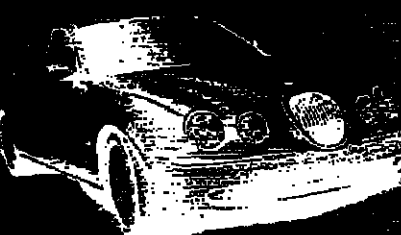
Maloney has cooled down since the fateful night. "A lot of things are said in the heat of the moment, and anyone can make a mistake," he said. "He's got a job to do; I've got a job to do."

"He's never made a bad decision in any of my fights in Britain and I've never questioned his integrity. When we meet again I'm sure we'll shake hands. He is an ordinary guy who loves the sport of boxing."

TOMORROW

Westwood warms up for golf's 'Big One'
Andy Farrell reports from Florida

A NEW TYPE OF JAGUAR



24/3/99

Rusedski turns his attention to Cup

GREG RUSEDSKI, in common with Tim Henman, was left to rue missed opportunities at the Lipton Championships here and turn his attention to the Davis Cup tie against the United States at the National Indoor Arena, in Birmingham, next week.

Rusedski appeared to be on course for a place in the quarter-finals until his serve was wiped during a fourth-round match against Germany's Nicolas Pietrangeli. Two points from victory at 5-4 in the second set, Rusedski subsequently double-faulted to give Kiefer the initiative to break for 2-3 in the third set, and three more virtually handed the German the match at 2-5. Kiefer won, 4-6, 7-5, 6-2.

"At least it didn't happen in the Davis Cup," Rusedski said. "That would be a little bit more disappointing. I just have to take the positive."

Henman is in a similar situation, wishing he were still here in Florida competing for world ranking points while realising that a brief rest will do a harm before preparing for Birmingham.

The American media has been doing its best to play down the importance of the Davis Cup, suggesting that Britain are as good as through to the second round of the World Group with a home tie against

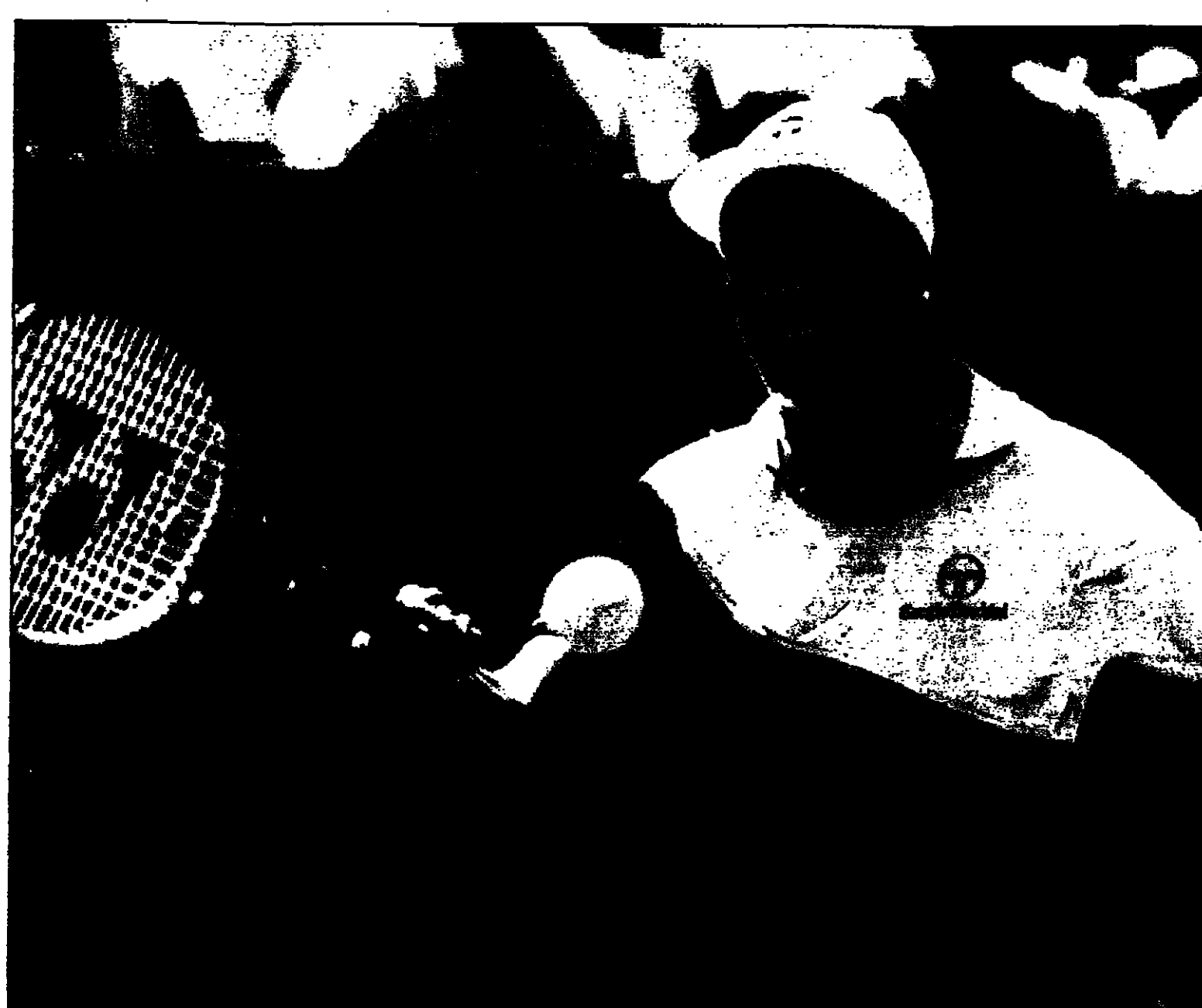
TENNIS
BY JOHN ROBERTS
in Key Biscayne, Florida

a side lacking Pete Sampras and Andre Agassi, both of whom declined selection. Rusedski is not fooled by such talk, pointing out that Todd Martin and Jim Courier, backed by Jan-Michael Gambill and the doubles specialist Alex O'Brien, add up to a formidable squad (with a combined head-to-head lead of 13-2 against the Britons).

"One guy's in the top 10 [Martin], and another player's a former No. 1 [Courier]," Rusedski said. "I think it's a little bit of games going on. If we play well, I think we have a good chance to win, and we're favoured. It's not going to be an easy tie at all. It's going to be a very difficult match."

"Martin this year has played better than any of the American players so far. Courier and Gambill have probably been the most solid behind him. Agassi really hasn't played that well yet this year, and this is the first year where Sampras seems to be getting back his form a little bit."

Courier is the type whose pride will relish the challenge of taking centre stage for his country. "Exactly," Rusedski said. "He's been in those situations. Cup it doesn't come down to the best tennis in the world; it comes down to the one who can



Martina Hingis, of Switzerland, plays a forehand in her 6-0, 6-2 fourth-round defeat of Mariene Weingartner, a German qualifier, yesterday

guilt out a bit more. That might make the difference."

Rusedski and Henman were consulted about the type of indoor surface to be used in Birmingham and agreed that hard court painted on wood, similar to the one at the ATP Tour Championships in Hanover, seemed to be the best option, even though it would appear to suit both sets of players. Would Rusedski not have preferred a fast carpet on which to unleash his serve?

"Originally we were trying to put down a GreenSet court like the London event in Battersea. We've practised on it at Queen's Club. It didn't bounce."

The court didn't come off properly like it does at the Battersea event. We decided just to go to the Hanover court, which is a very fair court. The ball bounces up, you can slice it; it gives you time to make some returns indoors.

"They're obviously good players. Todd plays well whether it's low bouncing, high bouncing, indoors. We know we have a tough point there. And with Jim being a former No. 1, it's going to be difficult. We'll find out on the weekend whether it was a good selection or not."

Sampras may be giving the Davis Cup a miss, but he is back on top of the world in spite of being overwhelmed in yesterday's quarter-final against Richard Krajicek, the 1996 Wimbledon champion, 6-2, 7-6, 6-0.

ended after he was defeated by Sebastian Grosjean, a determined Frenchman, ranked No. 74, and Alex Corretja was unable to lift the fallen Spanish flag, losing to Sweden's Thomas Enqvist.

Marcelo Rios, whose glorious visit to the Lipton last year ended with Chile celebrating its first world No. 1, went out with a whimper this time, crashing to the Slovakian Dominik Hrbaty in the fourth round, 6-2, 6-0.

Martina Hingis and Steffi Graf stayed on course for a possible meeting in Sunday's women's singles final. Hingis, the world No. 1, advanced the quarter-finals, defeating Mariene Weingartner, a 19-year-old German qualifier, 6-0, 6-2, and Graf, seeded No. 7, reached the last eight with a 6-2, 6-4 win against Natasha Zvereva, who defeated her in the third round at Wimbledon last year. Graf has won her last 21 matches at the Lipton.

McRae victory hopes raised

RALLYING

COLIN MCRAE'S hopes of victory in the Rally of Portugal were unexpectedly boosted yesterday when officials were forced to cancel the day's last two stages because of fears for the safety of spectators.

Rally officials took the unusual decision amid concern that with tens of thousands of fans flocking to the stages, to the south of Porto, spectators might spill on to roads on which the cars would be thundering past at speeds of over 100mph.

McRae, who has survived relentless pressure from his rivals since taking the lead on Sunday - the opening day, will take a 31-second lead into the final day today as he pursues a second successive victory in his Ford Focus. The Scot withstood the efforts of the Toyota drivers, Carlos Sainz and Didier Auriol, who chipped away at the advantage of 30 seconds he had built up.

The 30-year-old could not register a single best time on the stages yesterday in contrast to the first two days when he was quickest in six out of nine stages. The 1995 world champion is confident his lead will be enough with just four stages left, even though both Auriol and Sainz set a series of quick times yesterday. Sainz regained second place on the last stage before the abandonment with Auriol less than two seconds further back.

Richard Burns is fourth in a Subaru, just under a minute down on McRae, having also recorded a couple of fastest times. Tommi Makinen, the world champion, benefited from a couple of retirements as he moved from ninth to fifth for Mitsubishi, but he trails the leader by almost 90 seconds.

Salter relieves prop crisis at Broncos

RUGBY LEAGUE
BY DAVE HADFIELD

THE LONDON Broncos have filled their front row vacancy by re-signing their former Great Britain Academy prop, Matt Salter, and putting him straight in "Saturday's Challenge Cup semi-final against Castleford."

Salter left the club to play rugby union for West Hartlepool at the end of last season, but London retained his registration, enabling him to play in the Cup immediately.

With their two senior props, Darren Bradstreet and Grant Young, both injured, Salter will be on the bench at Headingley. The Broncos coach, Dan Stains, has stepped up his

attempts to enlist reinforcements since Young broke his leg at Sheffield on Saturday.

"I'm very pleased to be able to carry on the work that the Broncos had done with Matt and I'm looking forward to seeing him in action," Stains said.

Salter, aged 22, and originally from Blackheath, left London for a more lucrative offer from West Hartlepool last October, but that club's financial problems have left him looking elsewhere. He has signed with the Broncos for the rest of this season and will then assess his options.

It is a sign of how badly stretched London are that they should be including a player their coach has not even seen for a game of this importance, but Salter will act as vital back-up for two second rowers, Steele Reischless and Shane Millard, who will be used at prop.

Their opponents coach, Castleford's Stuart Raper, does not believe that they will be weakened by the pair's presence in the front row.

"I'm a big fan of blokes like that," he said. "They're not very big, but they go forward all day and can often be hard to tackle."

Raper is confident that two of his three casualties, Dean Sampson and Aaron Raper, will be fit for the semi-final. There are still doubts about Danny Orr, whose chances Raper describes as no better than even.

"He's more confident than I am, but I'm told he's a quick healer," he said of his stand-off's knee injury.

Salford have launched an internal disciplinary inquiry into Andy Gregory's latest threat to resign. Super League's longest-serving coach hinted strongly that he would

leave after his side's defeat at Wakefield on Sunday, but withdrew the threat on Monday.

Yesterday, however, the club's board of directors said that they were "disappointed" by his remarks after the match.

"His comments were not in the best interests of the club and its supporters," said a statement from Salford. Gregory has been in similar trouble with the board before, although there is unlikely to be any immediate question of sacking him, partly because the club's chairman, John Wilkinson, is away until the end of the week.

Patience could have worn thin with Gregory's outspoken behaviour, but sacking him could be an expensive exercise and, despite crying foul on several occasions, he shows no sign of going of his own volition.

The Halifax utility player, Martin Moore, who missed part of last season with a broken arm, has suffered a similar injury in the victory over Huddersfield at the weekend.

The St Helens forward, Paul Davidson, has been suspended for two matches for the reckless use of his forearm in the match against Gateshead on Sunday.

Russians just a waltz from win

ICE SKATING

ANJELIKA KRYLOVA and Oleg Ovsianikov took the lead in the ice dance and were helped in their quest to retain the world title by an intense tussle for second place yesterday.

The Russian couple were winners of both the paso doble and the tango romantic compulsory dances on the cards of all seven judges while their French and Canadian rivals were tied in second place.

That stalemate assisted the Russian pair, if they win tomorrow's original dance, the waltz, they would have to finish an unlikely third in the free dance on Friday to surrender their title.

The second-place tie developed after Shae-Lynn Bourne and Victor Kraatz, of Canada, beat Marina Anissina and Gwendal Peizerat in the first dance only to lose to the French couple in the second. Irina Lobacheva and Ilia Averbukh, the European bronze medalists, were lying fourth. Krylova and Ovsianikov have 0.4 placements to 1.0 for the second-placed skaters.

Bourne, skating with a knee injury that will require surgery after this week, said: "We can't wait to get out there for the original and free dances."

Krylova and Ovsianikov beat the French, thanks to the marking of just one judge, at the European Championships in January and then again at the Grand Prix finals last month. Both the chasing couples will have a chance to catch the Russians in the waltz, worth 30 per cent of the marks. The compulsories were worth 20 per cent and the final accounts for the remaining 50 per cent.

Age is no barrier in figure skating, according to Tatiana Malinina, the Russian-born skater who competes for Uzbekistan and is expected to be one of the long-shot challengers to Michelle Kwan. Malinina brides when asked how she has become so good at the relatively advanced age of 26.

"Age has no meaning whatsoever," she said. "There is no [upper] age limit for competitions. I can skate until I'm 40 if I want to. I don't have problems with my jumps and I'm winning against the younger competitors, and, of course, I have more experience."

Malinina won the Four Continents and Grand Prix final in the last month, beating the twice European champion, Maria Butyrskaya, in St Petersburg, Russia.

'Fifth major' provides local cheer for Duval

GOLF
BY ANDY FARRELL
in Ponte Vedra Beach, Florida

IF THE first major peak of the season comes in two weeks time with the Masters at Augusta, there remains a sizeable foothold to be sealed here this week. The Players' Championship has considerable merits but does not fall easily into any particular category of tournament. As David Duval tried to explain: "It's a big, established, important - pause - 'near major'."

Whatever has gone before this season, and Duval was at the centre of much of it by winning

twice on the West Coast, including a last round 59 at the Bob Hope Classic, the real stuff begins at the Stadium Course at the TPC of Sawgrass tomorrow. Not only is the lay-out a demanding test but the first prize of \$900,000 (\$550,000) is hardly run of the mill.

That is around double what the winner will receive at Augusta in a fortnight's time but the very proximity to Masters diminishes the prestige of an event often referred to as the "fifth major". "If you gave me a choice," said Duval, "I'd choose four others to win first. It doesn't have the name [of a major championship]. But it does have one of the best fields of the year."

Duval was born in Jacksonville and still lives in the area, just down the AIA highway from Sawgrass. "I grew up watching this tournament,"

said the 27-year-old. "I used to sit on the hill behind the practice range watching guys hit balls for hours. This will probably be one of the most difficult victories for me to achieve in my career because it's at home. I don't try to put extra pressure on myself, but I probably do."

After a winning spree of nine victories in the last 18 months, Duval is pushing Tiger Woods at the top of the world rankings. Many feel Duval, despite not winning a major championship, should be the current No. 1. The American is not that bothered.

"Being No. 1 is not something I'm concerned about because the system is not perfect," Duval said. "I don't want to criticize it too much because I don't have a better solution."

Also, maybe, because the rankings are run by Duval's own management company, DMG. Last week Woods was presented with the McCormack Trophy, named after DMG boss Mark McCormack, as the player who spent most weeks as the No. 1 in 1998.

TODAY'S NUMBER

6

The number of maximum snooker breaks officially recorded this season.

Nick Dyson registered the sixth on Tuesday in the UK Tour qualifiers in Stockport. There have been only 28 in all.

FOOTBALL

7.30 unless stated

NATIONWIDE LEAGUE
Huddersfield v Norwich (7.45)

REGIONAL LEAGUES
Green v Kingston (7.45)
Scottish League First Division
Hamilton v Arbroath (7.45)
Clydebank v Greenock Morton (7.45)

IRISH LEAGUES
Dundalk v Sligo Rovers (7.45)
Dundalk v Sligo Rovers (7.45)
Dundalk v Sligo Rovers (7.45)

WOMEN'S LEAGUE
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)

FOOTBALL

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Dundalk v Sligo Rovers (7.45)

WOMEN'S LEAGUE
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)

SPORTING DIGEST

BASKETBALL

19.00 unless stated

NATIONWIDE LEAGUE
Huddersfield v Norwich (7.45)

REGIONAL LEAGUES
Green v Kingston (7.45)
Scottish League First Division
Hamilton v Arbroath (7.45)
Clydebank v Greenock Morton (7.45)

IRISH LEAGUES
Dundalk v Sligo Rovers (7.45)
Dundalk v Sligo Rovers (7.45)
Dundalk v Sligo Rovers (7.45)

WOMEN'S LEAGUE
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)

FOOTBALL

7.30 unless stated

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Dundalk v Sligo Rovers (7.45)
Dundalk v Sligo Rovers (7.45)

WOMEN'S LEAGUE
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)

TODAY'S FIXTURES

FOOTBALL

7.30 unless stated

NATIONWIDE LEAGUE
Huddersfield v Norwich (7.45)

REGIONAL LEAGUES
Green v Kingston (7.45)
Scottish League First Division
Hamilton v Arbroath (7.45)
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WOMEN'S LEAGUE
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)
Reading v Arsenal (7.45)

SPORT

SCHECKTER'S DYNASTY P23 • BARKER'S LIFE AFTER TENNIS P22

Lloyd to quit after World Cup

DAVID LLOYD, England's colourful and controversial coach is to step down after the World Cup. The announcement, made yesterday, surprised many and the timing and haste of the decision added further fuel to speculation that Lloyd, seeking assurances over his future, has been offered alternative jobs in radio and television.

It was, according to the England and Wales Cricket Board, an amicable parting following a meeting at Lord's between Lloyd, Lord MacLaurin and the ECB's international teams director, Simon Pack.

"We owe David a huge debt for the job he has done since taking over in 1996," MacLaurin said. "During his time in the job, David has introduced many in-

CRICKET
BY DEREK FRINGLE

novations that mean we are now world leaders in several aspects of our approach to the game at international level. It would be a fitting send-off for him if we could lift the World Cup for the first time this summer."

Lloyd, 52, who helped England achieve their first five Test series victory for 12 years last summer, sounded equally grateful, though he is to hold a press conference of his own at Old Trafford tomorrow.

"I've had a tremendous time with the England side," Lloyd said. "I'm looking forward to completing my tenure with a successful and enjoyable World

Cup campaign. It was important for me to have a clear picture of what my future holds. Now that the matter is settled this means the team can focus exclusively on the World Cup."

Lloyd, whose contract was to run until 31 August, ends a three-year association with the England team. While renascence would be too strong a word, his time has brought change and innovation. Tapes of Churchill's speeches as well as bonding weekends in country retreats have all been explored in the cause of motivation. There have been successes on the field, too, and home Test series wins against India, New Zealand and South Africa, as well as several one-day triumphs, must be added to an interesting CV.



Lloyd: Surprise decision

Enormously respected by the players, and with an unflagging enthusiasm and dedication that cannot be faulted, it was his fiery passion, that sometimes landed the man

known as "Bumble" in trouble with his employers. Occasionally, this boiled over to become a liability, as it did in Bulawayo in 1995-96.

"We didn't murder 'em," Lloyd told an assembled press corps there, having given some startled Zimbabwe officials a piece of his mind after the home side's bowlers had forced a draw by deliberately bowling wide of leg stump.

Last August there was his outburst over the legality of Muttiah Muralitharan's action, which although veiled, was a major embarrassment to the ECB. The subsequent dressing-down he received from his employers, who made it clear that this was his final warning, left him feeling angry and betrayed.

The choice of a successor is not particularly straightforward despite the resignation on Monday of South Africa's coach, Bob Woolmer, which according to the ECB's chief executive, Tim Lamb, was purely coincidental.

Due to his sterling work with South Africa, Woolmer, who played for both Kent and England, would be many people's choice. However, when asked privately last summer whether or not he would take the job if offered, his answer was in the negative. In any case, he is thought to be firing of the nomadic life associated with being a cricket coach.

Closer to home, the front-runners for the job would be Graham Gooch and Mike Gat-

ting, with John Emburey and James Whitaker, the current captain of Leicestershire, as outsiders. Gooch, whose managerial role in Australia was almost entirely conducted wearing a tracksuit, would relish the chance, though critics will say that neither he nor Gatting is likely to bring much that is fresh to the table from their days as captain.

In keeping with speculation over the England football manager's job, it may well be prudent to seek a coach from overseas. One of the problems that has befallen England sides in recent years is the negative mindset produced from a background in county cricket. Despite his forward thinking on some matters, Lloyd was tainted

by this as much as anyone. Now that the uncertainty over his future has been removed, the World Cup, his swan-song, may see his true potential bloom.

England's captain, Alec Stewart, called on the players to give Lloyd a successful send-off by winning the World Cup for the first time this summer.

"It's disappointing news but it's been a real pleasure to work with Bumble, a coach who is thorough, loyal to his players and completely professional," Stewart said. "He has brought a real sense of passion to the job of England coach and it would be great to reward him with the World Cup as a final vote of thanks from the players for all he has done for us."

Keegan's zeal the tonic for England

AS RIO FERDINAND collected the ball near his own goal yesterday he spotted a silver-haired figure sprinting up the right calling for the ball. Ferdinand quickly pinged a perfectly-weighted pass forward and Kevin Keegan, 28 years his senior, took it on his chest and raced off down the wing like a teenager.

A few hours later, in the grounds of the England team hotel, Keegan was running through the injury list, a pre-match custom for every England manager since Walter Winterbottom. "It's an opportunity to play someone else," he said, "a chance to play another way. It might be a turning point, it might be the best thing that has ever happened."

It did not take long, watching Keegan at work yesterday, to realise that the quality he will bring most to the role of caretaker national coach is enthusiasm. It may only carry an international team so far but, the way England have been performing of late, it is just the tonic needed.

There are understandable reservations about the quality

FOOTBALL
BY GLENN MOORE

of Keegan's tactical sophistication, concerns he himself appreciated when he said: "I'm not your man for a 0-0 draw in the Ukraine." However, the immediate task is beating a moderate Polish side at home and any England team should be able to manage that if it is in a positive frame of mind.

This team should be. Not many of his England predecessors would have viewed an injury list which includes Darren Anderton, Robbie Fowler, Chris Sutton, David Seaman, Nigel Martyn and, most of all, Michael Owen, with Keegan's equanimity but his attitude will breed confidence among his players.

"He's so full of enthusiasm," said Ian Walker after training yesterday. "His love for the game shines through and rubs off on everyone else."

"I'm excited," said Keegan. "Working with these players is like being a kid in a toy shop. I'm delighted with the atmosphere. We have injuries but by Thursday night (when Keegan will



Graeme Le Saux (left) receives some individual coaching from the England caretaker manager, Kevin Keegan, at Bisham Abbey yesterday

David Ashdown

make a final decision on the injured players) I'll still be able to pick a fantastic England team."

That team is unlikely to include Owen, who has not trained since straining a hamstring at Derby 11 days ago. Fowler took a knock on the knee

in the same game and, with Sutton suffering from a back problem, Keegan's forward options are so limited he may call a replacement in tomorrow.

On the plus side David Beckham's calf problem and Nigel Martyn's back injury had eased enough for them to take part in yesterday's training session at Bisham Abbey but Anderton (groin) and Seaman (shoulder) also sat it out while Tony Adams appeared to be suffering from a heavy cold.

None of this prevented a lively session in which Keegan played a more peripheral role than expected. Howard Wilkinson, the FA's director of coaching, and Derek Fazackerly, Keegan's former coach at Newcastle, did most of the technical work, with Keegan preferring to take a supervisory role along with Arthur Cox, his managerial mentor and the other member of his England coaching staff.

That was until the 10-a-side match which closed the session. Then Keegan was as involved as anyone, although he had mixed feelings when a neat turn by Steven Gerrard, the young Liverpool player with

the squad for experience, left him bemused.

The media found it less easy to fool him. Drawing on more than a decade's experience in the trade, he said all the right things. It would be "a blow to lose any players" but no one would be risked unless they were fully fit; "I've been amazed at the co-operation from other managers"; "I felt proud when I pulled on my tracksuit and looked at the badge." Interestingly he also said that he "always thought he would be England manager one day."

In a refreshing change to his predecessor, Glenn Hoddie, he appeared to be honest when talking about injuries and open when discussing players' merits. Of Beckham he admitted: "I've always said I think he should be more involved and I think in the future he will be more central but with a view to Saturday, he is in such good form playing wide for Manchester United, putting in such good crosses. Where I have got an opportunity is that I have Ray Parlour who can also play wide right or in midfield. They may be similar but don't rule out them both playing."

With Paul Ince suspended,

David Batty injured and Nicky Butt not called up - a curious decision, Keegan said he was "close" - Keegan is short in midfield and may even give both Parlour and Tim Sherwood debuts.

He said: "In an ideal world you would like someone making a debut to look alongside and see someone with 30 or 40 caps. I know I would have preferred that. But this is the real world so I could say to them, 'you're both playing at the top level, you're both in wonderful form'."

Keegan's playing experience in the real world in 1972 suggests he will not throw Parlour and Sherwood in together. Keegan made his international debut alongside Martin Chivers and Rodney Marsh, who had 12 and five caps respectively, played twice and was then dropped for 16 months.

St Paul Scholes, or Jamie Redknapp, is more likely to take one central place but Keegan added, with a typical flourish: "Why not play them both? They'll learn something, we all will, it might be very positive."

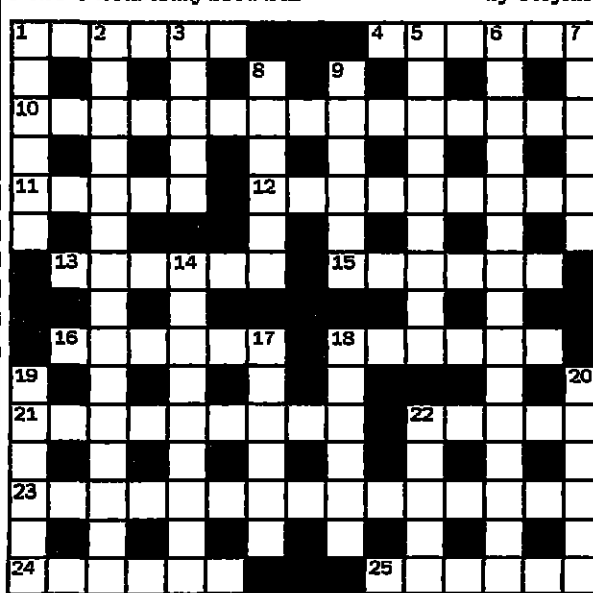
Keegan's reign may be short, but it will be eventful.

Sherwood's new image, page 26

THE WEDNESDAY CROSSWORD

No.3878 Wednesday 24 March

by Corylus



Tuesday's Solution

1. PANICACAR 2. COIN
3. NITRO 4. AAOSS
5. JAMJAR 6. MALACCA
7. LOOSE 8. EHHB
9. COINNUSS 10. INDEW
11. GINN 12. L
13. SUPERANNUATE
14. ENY 15. DAA
16. PRESIDENTIAL
17. AAO 18. BUSH
19. GONNAT 20. HESPIGH
21. SSHA 22. WBO
23. PERSOUP 24. ONSIDE
25. ENNE 26. ERE
27. FLAT 28. REKINDLE

ACROSS

- 1 Censure that is right - it's sharp and pointed (6)
- 4 The place and time for an insect (6)
- 10 Bioscience is far away from these numbers (9,6)
- 11 Reported scale from weather conditions (5)
- 12 Crazy snooker player could do this (9)
- 13 Old doctor found in cave in Indian city (6)
- 15 Very good natural response to kind of acid (6)
- 16 Girl finding article gale blows about (6)
- 18 Department of Employment intend to reduce status (6)
- 21 Language of a fair obscured answer (9)
- 22 In short the upper part

DOWN

- 2 of the body? (5)
- 3 Poor Jewish have-not on ship is a religious person (8,7)
- 24 Using keys to get some rickety pin greased (6)
- 25 Peacekeepers faded, we hear, without having changed colour? (6)
- 1 Put new facade on tatty cafe (6)
- 2 In superb clip, how to represent the result of nationalisation (6,9)
- 3 Man from navy in lake (5)
- 5 Move around with wife at steering position in swamp (9)
- 6 At university invigilate many characters in a

ACROSS

- 7 dull way (15)
- 8 Lets us down in struggle (6)
- 8 Dramatist gives old box to Japanese purchaser (6)
- 9 Spanish agreement to deviate with one in the mountains (6)
- 14 Poor baker yet to start making a profit? (5,4)
- 17 A step to control hard Indian (6)
- 18 Fail to acknowledge swine surrounded by loud noise (6)
- 19 Light inconsequential talk on plane (3,3)
- 20 Gradually introduced odd shape to daughter (6)
- 22 Artist omits one giant (6)

Formula One chance for McRae

COLIN MCRAE, the former world rally champion, has been offered a drive in Formula One. The 30-year-old Scot, who is set for victory today in the Rally of Portugal, will test drive a Stewart Formula One car later this year and could eventually make the switch to grand prix racing.

McRae, who won the world rally championship in 1995, has driven a Formula One car before.

MOTOR RACING

Back in 1996, a publicity stunt gave him the opportunity to swap places with Martin Brundle and drive a Jordan while his fellow Briton took the wheel of his championship-winning Subaru. Brundle subsequently entered the 1996 British Rally in a Ford, while the late Jim Clark, twice the Formula One world

champion, also tried rallying.

"To drive in Formula One is something I have been thinking about for quite a while," McRae said. "If I do the test and I am competitive, then I must consider what I might be getting into. If I am committed, there is no reason why I couldn't drive in Formula One."

Portuguese Rally, page 27

MORSE

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JP 11/10/150



Cup

ed by this as much as anyone. Now that the uncertainty over the World Cup, his winning may see his true potential bloom.

Lapland's captain, Alex Stewart, called on the players to give Lloyd a successful send-off by winning the World Cup for the first time this summer.

"It's disappointing news for us, but it's been a real pleasure to work with him. He's a coach who is thorough, loyal to his players and completely professional," Stewart said. "He has brought a real sense of passion to the job of England coach and it would be great to reward him with the World Cup as a final note of thanks from the players for all he has done for us."



Yesterday

BUSINESS REVIEW



STAGECOACH!

AN EPIC TALE OF THE WILDEST BUS MAN IN THE WEST

Inside: How the boys from Yahoo! beat Rupert Murdoch and Bill Gates into Cyberspace, page 5

Losing it with flowers: the man who blew £10m, page 4

Who's the most switched on TV executive? page 6

Plus: Hamish McRae, Diane Coyle, Derek Pain, Jo Davis and The Trader

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THE BUSINESS WORLD

When taxation adds up to a moving experience

BUSINESS IS on the move and tax is in the driving seat. As anyone who tried to drive in central London on Monday will be aware, British lorry drivers are threatening to flag out their fleets to Belgium or Luxembourg. But that is just one example of a growing trend. Look elsewhere in Europe and you find: Swedish companies moving divisions to London; German industrialists switching investment to Eastern Europe; French companies crossing the Channel to Kent; and doubtless many more moves happening or being pondered elsewhere in Europe.

In one sense this is nothing new. Taxation has always been a major factor in plant location – that is why Ireland in particular has given such generous tax holidays to companies investing there, or why the Canary Wharf complex was built in the enterprise zone in London docklands. As for “flagging out”, flags of convenience have dominated global shipping for a generation. But the growing integration of the European economic area and the advent of the euro have given a new twist to tax competition in Europe.

The British road hauliers happen

to be at the wrong end of what is a cultural distinction within Europe, as well as an economic one. Ever since the 1950s it has been an aim of British tax policy to load “sin taxes” and since the 1980s it has been policy to cut tax on earning individuals. Road transport is deemed sinful in the UK, as are smoking and drinking. So diesel and lorry licences have by tradition been particularly highly taxed – as have cigarettes and booze. By contrast, on the Continent (though not in the Nordic countries) drinking and smoking, far from being frowned on, were celebrated, and France in particular sought to shift road transport from petrol to diesel to cut the volume of imported oil. So diesel was taxed at a much cheaper rate than petrol. Meanwhile the idea that driving should somehow be sinful would seem absurd in France, Germany or Italy.

So different tax structures developed. Until recently the scope for leakage of revenue, as a result of these different structures, was limited. It took a while for the smuggling rings to develop, bringing in cheap continental tobacco and drink, and it has taken a while for

foreign hauliers to move into the UK market.

As for diesel fuel, while the UK Treasury has been worried for at least 10 years by the extent of revenue lost by foreign hauliers filling up abroad and returning empty, its conclusion was that the loss of revenue was tolerable. After all, no one was taking lorries across the Channel simply to fill up on the other side.

That was probably the right judgement. All economies have frictions, and tax authorities could rely on these. Differences in taxation had to be quite large for companies to decide that they must adjust the way they run their businesses. There are legal and other costs to relocation, and cultural barriers too. Besides, you don't know at what stage there will be a change of government at home and tax policy will be reversed. For new investment there is a clear either/or choice: do we put the plant in this country or that one? Upping and leaving is a much more complex decision.

In the past few years, however, the frictions have become less marked. Accordingly tax competition has increased dramatically, as



HAMISH MCRAE

Lorry drivers threatening to relocate abroad to escape high UK road duties are part of a growing trend of companies abandoning a traditional national base in search of more favourable trading climates

power has shifted away from governments to the business sector. There are at least 10 reasons for this shift in power.

1. The increasing importance of cross-border mergers. Whenever such a merger takes place the new group chooses which country should be the formal headquarters. Taxation is an important factor in such a choice. Sweden has lost the headquarters of several companies.

2. Growth in cross-border investment in white-collar functions. When people think of foreign plants they usually think of foreign factories. Much new cross-border investment is, however, in white-collar activities – research and marketing for example. This is easier to relocate because, though core staff have to move, there is no need to move physical plant.

3. Growing importance of human capital vis-à-vis other forms of capital. If a company's most important resource lies in the brains of the key people, location has to fit their aims and objectives. Swedish companies in particular find they have to locate many divisions outside Sweden (typically in London) as foreign

staff will not pay Swedish taxation. Electrolux recently did just this.

4. (Associated with 3.) The emergence of an international cadre of business talent that will move location very easily and freely.

5. Improved (and cheap) telecommunications, in particular e-mail and the Internet-related technologies, which enable white-collar functions to be located anywhere – not necessarily at head office – and still connect into the corporation's information network.

6. The growth of English as the standard business language of Europe. This reduces the cultural barriers to movement of executives between different countries. The more executives can shift around the more they will seek to base themselves in low-tax countries.

7. Improved price and tax information, and better quality of service from the international accounting and management consultants. Any company seeking to relocate, or simply rebalance its functions between different countries, will find a one-stop advice centre in these consultants, giving it the options and fixing the practical arrangements.

8. Improved physical communi-

cations within Europe. For Britain, France and Belgium, a key change is the Channel tunnel. For all Europe, cheaper air fares are encouraging corporate mobility.

9. The explosive growth of US business in Europe, bringing a more global, “can do” approach to dealing with government.

10. And finally, the advent of the euro. Why is the euro at the end? Because while it is a catalyst for change, all the above shifts would have taken place – indeed, are taking place – without it.

The big point here is that these forces (and doubtless any business executive would add a couple of his or her own) are creating a much more utilitarian attitude towards government. Governments have a choice: they can either woo business or they can come it. But if they do the latter, they may not themselves survive, as “Red Oskar” found out. The lorry drivers blocking central London may not feel more powerful relative to government just now, but the more they exert their power by registering their vehicles offshore, the more they will feel that power. They may even come to enjoy it.

DATELINE: BANGALORE

Silicon Valley of the sub-continent

DRIVE 10 miles out of Bangalore on the road to Madras and provided you survive the stampede of bicycles, scooters, belching trucks, motorised rickshaws and the not-so-occasional bullock that constantly ply this four-lane highway, then you will arrive at Electronic City.

Incongruous as it may seem for a place that is still connected to a mains water supply only on alternate days of the week, Bangalore has become the software capital of India.

And how the area revels in its reputation as the Silicon Valley of the sub-continent. This year, India's exports of software are expected to reach \$2.7bn (£1.7bn). Of that, approaching a third will come from Bangalore. And of Bangalore's share about a third will be generated by the 80-odd companies based in Electronic City.

The shanty dwellings and street beggars – constant reminders of the abject poverty in which so much of India still lives – mean that, however much it tries, Bangalore will never become an exact replica of Silicon Valley. But amid the squalor there is more than enough evidence of the wealth and the conspicuous consumption that the computer revolution has brought.

The local airport sports a brand spanking new terminal, the best hotel in town charges \$180 (£112) a night, and Oracle, one of the many US software firms drawn to the region, has discovered that land is more expensive in downtown Bangalore than in its home base of Colorado Springs.

A glass of Kingfisher beer in one of Bangalore's 200 pubs will set you back 90 rupees (£1.30) – the equivalent of a day's wages to many – while the shops along Mahatma Gandhi Road are bursting with designer label goods to tempt its affluent army of software engineers.

In the space of a decade the Bangalore phenomenon has created an estimated \$500 million in new wealth through the stock option programmes that the local software companies have used to attract senior executives.

Even the humblest software engineer in Bangalore draws a salary that many Indians could only dream of. A graduate with two years' experience will typically be earning

By MIKE HARRISON

20,000 to 24,000 rupees a month (£285 to £340), some 10 times the average income.

But the success of the sector has also brought familiar problems. The population of Bangalore has exploded from 1.5 million to five million people in six years and, not surprisingly, the infrastructure is creaking at the seams. Everywhere you look there is a mangle of half-finished apartments.

Since the software industry employs only 40,000 in Bangalore it is responsible directly for only a fraction of this population growth. But software has put Bangalore on the map. Where the likes of Siemens, Oracle and Microsoft have led, others follow. Every inward investor into India, whatever their business, makes a beeline for Bangalore. In turn, the rising affluence of the city has acted like a magnet for the whole region of Karnataka, fuelling mass rural migration.

The Indian government seems happy to live with such problems of success. Its National Information Technology Taskforce has set some ambitious goals. The Indian IT sector employs some 400,000 in total, of whom about 230,000 work in software. But the target is to create a further 500,000 jobs over the next five years and grow the value of software exports to \$50bn in the next 10 years.

So why India? And, more specifically, why Bangalore? Dewang Mehta, president of India's National Association of Software and Service Companies, says mischievously that one of the explanations for the growth of the Indian software industry has nothing to do with cheap labour or the plentiful supply of computer-literate graduates. “The only reason that a lot of Indian banks and financial institutions installed PCs in their offices was so that they had an excuse to fit air-conditioning at the same time.”

But it is no accident that India exports twice the amount of software that is sold in the domestic market or that most of the software companies in Bangalore are reliant on overseas customers, many entirely so. Companies which export 100 per cent of their output do not have to pay tax for 10 years. This, coupled with



India's new Electronic City, just outside Bangalore, has become the country's software capital

C Bowman

wage rates which are perhaps a sixth of those in the US or UK, has enabled India to become an important offshore centre.

Much of the software written in India is not proprietary and much of the income comes from maintenance work, upgrading the software installed in Western companies while the customer sleeps. The software which enables London Electricity to operate the capital's power grid comes from India. Many of the millennium bug computer upgrades for UK-based banks and financial service companies are being carried out in India.

The structural reforms ushered in during the reign of Rajiv Gandhi and his “computer boys” as Gandhi's inner-circle became known, also helped the software industry. Where as it used to take nine months to import a computer, the waiting time was cut to weeks. The government also made it possible to hire IT consultants outside India and, crucially, abol-

ished the office of Controller of Capital Issues (a bureaucrat who in effect decided the price at which companies were permitted to issue shares) making equity funding of software companies a viable option.

Mr Mehta identifies another trend. “The brain drain which saw a lot of Indian software engineers migrate to the US has begun to reverse.”

Why Bangalore is a more difficult question to answer. Some put it down to the Californian-style climate and stable politics of south India. Others to the proliferation of pubs where the computer nerds can hang out. The seminal event is generally held to have been the arrival of Texas Instruments in Bangalore in 1986. But that is not the whole story. Five years before TI arrived, a group of seven software professionals got together and with \$300 of capital formed a company pledged to the ethical creation of wealth. Today that company, Infosys, is valued at \$1.9bn,

employs 3,600 people and has just become the first Indian company to list on Nasdaq, the New York stock exchange which is home to the world's hi-tech companies.

Although the business was founded on the lofty principles of “fairness, honesty, transparency and courtesy”, its employees have been incentivised by something baser. After the business was floated on the Indian stock market in 1992, staff were given stock options at 100 rupees a share. Today those shares have risen in value 300-fold and some 1,345 eligible employees are sitting on stock worth \$2m – an average profit of \$39,000 each and considerably more in some cases. Staff are also offered zero per cent mortgages and loans to do everything from buy a car to getting married.

The company, India's sixth biggest software exporter, is still run in the same ethical, paternalistic manner. Its chairman and co-

founder, Narayana Murthy, begins his staff memos “Dear Folks”, all employees are known as Infosians (and their children as “Petit Infosians”), lunch in the subsidised canteen costs nine rupees (13p) and every employee receives a birthday present from the company (this year it was a backpack).

But Infosys is facing a challenge on the employee-relations front. The last stock options issued in the programme were issued in 1998 and from the end of this month the first options to be granted in 1994 become exercisable. Infosys is working on a new options package – the Nasdaq listing was driven largely by the desire to give its US employees stock options. But any new options will have to be issued at the market price. Mr Murthy recognises the challenge. “We will have to devise new forms of incentives, empower people more and make their work more flexible and interesting,” he

says. “We want to maintain the philosophy of ‘emotional ownership.’”

Infosys, along with the rest of the Bangalore software community, has its work cut out on other fronts. India needs to maintain its cost advantage over other countries and demonstrate that it is at the cutting edge of software development. Ranjan Chak, Oracle's executive director for India, insists that the culture of its staff is now as important as the cost advantage, which he warns is being eroded through high capital and infrastructure charges – international telephone charges are \$2.50 a minute, for instance. “My reckoning is that although staff costs are only perhaps an eighth of those in the US, the overall costs are nearer 30 per cent. If that figure rises above 50 per cent then some software companies will ask whether it is worth being based in India. There might still be a sale going on but would you want to drive 10,000 miles to get to it?”

Within India, Bangalore is facing increased competition from Hyderabad and Bombay, which is still in absolute terms the biggest software location in India. Externally, the software firms are competing more for projects with offshore centres such as Ireland and Israel. Mr Murthy says Infosys is now considering setting up centres in low-cost economies, including Mexico, Ireland, China and the Philippines.

But perhaps the biggest obstacle to the expansion of India's software industry and at the same time the biggest growth opportunity lies in its own backyard. Only 2 per cent of Indian homes have a telephone and even fewer a PC. The government has set a target of increasing that to 15 homes in every 100 within 10 years. Sudheendra Kalkarni, director of communications and research in the Prime Minister's Office says: “The computer industry here has grown in spite of rather than because of government policy. We now need to bring together the public and private sectors to encourage computer literacy on a mass scale, not something which is confined to an elite class.”

Given the extent of basic illiteracy which still exists among India's 900 million people and its miserable experience so far in liberalising its telecoms industry, nobody in Bangalore is holding their breath.

A WEEKLY DIGEST OF THE WORLD'S FINANCIAL PRESS



BUSINESS WEEK
From boardroom to Brussels
change is sweeping
across Europe

NEW DEMANDS for transparency and accountability are eroding Europe's old tolerance for corrupt backroom deals and cronyism. But... even though they have resigned (Edith) Cresson and her fellow European Commissioners refuse to admit they have done wrong. Similarly, executives at Telecom Italia and Paribas tried to save their jobs by backroom deals. The takeovers must continue, and a new European Commission president appointed quickly. Only if the clean-up is pushed to its logical conclusion will Europe become less corrupt – and a fairer, more open place to do business.
Editorial Comment



FORTUNE
Monsanto scents a success amid
the attacks by Wall Street and
European environmentalists

ONE OF the ironies of Monsanto's situation is that even as the ire of investors and environmentalists builds, the company's prospects may be improving. Early returns indicate its arthritis drug, Celebrex, could be the fastest-selling new drug ever. Still, the company will have to convince consumers – and environmentalists – that its products are safe. Opponents say pollen will spread the genes to wild species. Monsanto... say the chance of genes crossing is remote. They'd better be right for the sake of investors – and of the planet. The last thing we need is salad fixin's that crawl.
Comment by Nelson D Schwartz



MARKETING WEEK
Many feel more could be done to
encourage competition between
beers behind the bar

THE PROBLEM lies in the way the industry is structured. The big brewers control most national brands, and these are the ones the pubs want. A pack mentality leads to increasingly regimented drinking behaviour. The solution? One is to introduce progressive beer duty, charging lower duty for smaller breweries. This could lead to a flood of niche, specialty beers from the UK's 400 independent brewers. Ten years after the Beer Orders attempted to introduce more competition to the UK beer market, action needs to be taken to stimulate competition which will lead to innovation.
Editorial Comment



ECONOMIST
Clinton's debt relief solution for
the poorest countries simply
does not go far enough

THERE IS a good reason why debt relief produces meagre results: that the starting-point is too stingy. Calculations are based on the fiction that it might be repaid. Many countries default on bilateral debt, even as they repay multilateral lenders. This is absurd: debt relief should free resources. Mr Clinton's initiative to forgive more loans should be cheered. It is unfair to poor countries that just fail to qualify; it is unjust to those that strive to be good debtors. But these are all arguments for more generosity – not for continuing to punish the poor for the sins of their past rulers.
Editorial Comment



FINANCIAL NEWS
Getting remote terminals for UK
futures into the US hinges on
lobbying from American players

THERE ARE now five US futures exchanges able to operate electronically through remote terminals in the UK. It is hardly surprising, therefore, that the chairman of the London International Financial Futures Exchange, Brian Williamson, is feeling frustrated at the delays in being granted approval by the Commodity Futures Trading Commission to put Life's new electronic screens in the US. Life can lobby the UK government to try to speed things up. But the most effective lobbyists for Life in the US would be the big US derivatives houses themselves.
Editorial Comment



FINANCIAL TIMES
Why Government handouts
to car companies
should stop

SINCE MOST car companies in the UK – and the rest of Europe – are subsidised, it would be difficult for the UK government to refuse all help to save jobs in this case. The cost per job is high. But it is only half the cost to the taxpayer of the 6,100 jobs created by LG of Korea at two plants in Wales. In a world of excessive subsidies to car production, the chance BMW can save Longbridge may justify one last bet. But it must be the last. The UK government and its EU partners should try to end the absurdity of competing to subsidise an industry suffering from chronic overcapacity.
Editorial Comment



WALL STREET JOURNAL
Why trying to avoid bank branch
closures across Europe is
dangerously short-termist

ITALY NEEDS bankers. It needs to get rid of some redundant bank tellers and managers, to be sure, but it needs to hire personnel that can sell personal and life insurance and other financial services. A rationalisation of the industry is long overdue in the country where banking was invented, and would in the long run create employment. This will be achieved at a faster rate if the next step in the process is in fact the kind of cross-border mergers that open up the Italian banking industry, long noted for its insularity, to influences from other parts of Europe.
Editorial Comment

JP 11/10/50

The reining-in of the Stagecoach Kids



No stunt was too naff for Brian Souter and his sister Ann Gloag, co-founders of Stagecoach. But with the publicity came the unwelcome attention of the OFT and a growing image problem. That was until the chino-wearing Souter brought in the suit-wearing Mike Kinski (left), and buttoned-up sobriety became the order of the day

BY CHRISTIAN WOLMAR

IT HAS been a relatively quiet time for Stagecoach since Mike Kinski took over as chief executive almost a year ago. And Mr Kinski is pleased with that.

No longer are there headlines about the company's predatory activities. Or about its cock-ups on the railways. Gradually the swash-buckling image of an aggressive company driving rivals off the road and attracting the wrath of the Office of Fair Trading is disappearing.

Instead, Stagecoach is now presenting itself as a respectable FTSE-100 company - which it joined last summer - intent on continued acquisition and growth. It may not yet quite be sober-suited because the company's co-founder Brian Souter, who remains a very active executive chairman, still gallivants around the globe in chinos and cowboy shirts in the search for new acquisitions, but Stagecoach is slowly earning the veneer of respectability that eluded it in its early years.

Mr Souter showed the City that he knew it was time for Stagecoach to grow up when he appointed Mr Kinski, who earned widespread plaudits at Scottish Power, to run the day-to-day business, allowing him to keep on travelling the world looking for deals.

While there have been no new blockbusters of the size of the Porterbrook rolling stock leasing company, bought for £26m in August 1996, there has been a steady stream of purchases over the past year: the stake in Virgin Rail and in the Hong Kong-owned Chinese road toll company Road King, Prestwick Airport, Citybus in Hong Kong, and the Yellow Bus company in Auckland, along with Fuller's Ferries in the same city.

There have also been a number of misses, such as Hong Kong's China Motor Bus, which went to the rival FirstGroup and, more recently, the Melbourne local transport network where Stagecoach failed even to make the shortlist.

Mr Souter's timing in appointing Mr Kinski, was, according to analysts, spot-on. The business was growing too big for him to run on his own, and his co-founder, sister Ann Gloag, had decided to take more of a back-seat role and rest on her considerable laurels. Mr Souter spent only a couple of days each week in the Perth HQ, and the rest of the time he was on the road, mostly seeking acquisitions and living out of his trademark plastic bags, which meant the day-to-day management was becoming neglected.

Mark McVicar, a transport analyst with SG Securities, says that Mr Kinski's appointment ensured that Stagecoach avoided the pitfalls that trap many other high-growth companies. "What works when you are small and doubling your turnover every year is not right when your capitalisation is in the billions."

"Mr Souter realised that he had to blend in his entrepreneurial flair with better management of the subsidiaries, and he addressed this issue before the company's financial reputation was affected."

The South West Trains fiasco in the spring of 1997 was a warning to Mr Souter, who is the first to admit that, despite his accountancy background, running companies is not his strong point. Little more than a year after it took over South West Trains, Stagecoach suffered its worst public relations disaster when it was forced to cancel thousands of trains because of a driver shortage that was compounded by poor labour relations.

Not only did this provoke a deluge of complaints from angry commuters, but it also prompted some City angst about Stagecoach's ability to cope with a more diverse portfolio, as the company sought to expand out of the bus market, which had been its original hunting ground.

So Mr Souter turned to Mr Kinski, a fellow self-made man from a working-class background, and allowed him a free rein in restructuring the company. Mr Kinski quickly sorted out the UK bus division, which consists of 19 different companies acquired around the UK between 1986 and 1997.

Mr Kinski explains: "Previously, there was not a clear, accountable management structure. Some reported to Brian Souter, others to Barry Hinkley [executive director] and others to Neil Renison [former chairman of Stagecoach Scotland]."

Mr Renison was edged out, along

with another executive, Jim Moffat of Fife Scottish, and Mr Kinski reorganised the mess into three regions, each accountable to him.

Then he set about strengthening the centre and filled what had clearly become gaping holes in the management of a major company - no human resources director and no head of communications. Both appointments were made quickly and an IT director was also brought in to sort out problems such as the different payroll systems used by all the bus companies. It was the birth of corporate Stagecoach, even though elements of the family history remain as Brian Souter still retains 12.6 per cent of the shareholding and Mr Gloag holds 10.2 per cent.

One tangible result of the way Stagecoach has focused more on day-to-day management has been the improvement in its performance on the railways. Reliability on South West Trains services has improved and new trains are on the way, with an order for 30 four-car trains in the spring. And Stagecoach's tiny Island Line, which runs old London Underground trains on the Isle of Wight, last month became the only one of the 25 franchises across the network to obtain the coveted

"A" grade from the franchising director who monitors train services.

Now, with restructuring costs no longer a factor, rail has also begun to be highly profitable, with profits up last year by 121 per cent to £17.3m, helped by a 7 per cent rise in passenger numbers.

The subsidy profile on South West Trains is incredibly generous, a reward for Brian Souter's readi-

ness to take on the first franchise back in December 1995, but the company faces a much sterner test with its 49 per cent holding in Virgin Rail, bought last June for £158m after Mr Souter approached Richard Branson. The deal allowed Mr Branson to avoid a flotation on the stock market, where he had his fingers burnt previously, but the benefits for Stagecoach seem less immediately

tangible since the subsidy paid to Virgin's two franchises, currently running at £171.8m per year, disappears entirely over the next decade to become a premium payment of £238.5m, a very ambitious task even if the current upgrading of the line is successful in attracting new business.

Virgin Trains continued to attract criticism, topping the rail

complaints league, and yet Stagecoach's input in the early months of its investment in the company seems to have been minimal. Last month, however, a new chief executive, Chris Green, who formerly ran InterCity, ScotRail and Network SouthEast, was appointed.

While Mr Green is well regarded in the rail industry, the appointment is not risk-free. Mr Green was forced out of the chief executive's job at English Heritage after falling out with the chairman, Lord Stevens, and getting into a wrangle over his expenses. Mr Green has set about his new task with relish. The complex structure of Virgin Trains and Rail was immediately simplified, and advertisements have been posted for an operations manager for the West Coast main line, the source of most complaints.

Mr Green finds it extraordinary that no one seemed to be running the railway, and while Stagecoach must take some of the responsibility for this, Mr Kinski explains that the focus was on getting the financing in place for the new trains, which was finally achieved in December.

While many City insiders consider Stagecoach's involvement in Virgin to be a prelude to taking over the

whole show, Mr Green is convinced that both companies see the partnership as a long-term proposition: "Mr Branson and Mr Souter are blood brothers. The skills of the two companies complement each other with Virgin providing the entrepreneurial flair and Stagecoach the attention to detail."

He says that a number of schemes involving joint use of Virgin trains and Stagecoach buses are to be announced shortly, such as a link between Carlisle and Stranraer, avoiding the circuitous train journey via Glasgow.

Mr Kinski is also addressing another problem acquisition - Swebus, Sweden's biggest bus company, where margins are in single figures. There is a tighter regulatory framework in Sweden and most services are tendered out in a highly competitive environment, but Mr Kinski insists this is not the problem: "When Stagecoach took it over [in August 1996], it failed to apply its usual model it had used in the UK. Swebus was top-heavy with a head office and four regional offices with each one a fiefdom. Also, even light maintenance was out-sourced to companies taking big margins. Now we are taking costs out, bringing maintenance in-house and we will be able to win tenders and obtain higher margins. We will be in double figures within a couple of years."

Created in 1980 by Brian Souter, his sister Ann Gloag and her then husband Robin Gloag (who was soon eased out), Stagecoach is Britain's biggest start-up company of the Thatcherite era, and grew quickly on the back of successive deregulations and privatisations - coaches, buses and trains.

It is now using the competitive advantage of being based in the country that has been foremost in transport deregulation and privatisation by venturing abroad. Indeed, unless Stagecoach was prepared to take the regulatory flak that a bid for one of its major rivals, FirstGroup or Arriva, would engender, most of its growth is likely to be overseas.

But can it keep up the pace? Not many young companies manage the transition from high-growth, high-risk teenagehood to respectable middle age without a major crisis or a complete change in personnel. Yet Stagecoach, which Mr Souter hopes will double in size again in the next four years, seems, so far, to be making the shift with barely a hiccup.

Some problems remain - under-performing Swebus, the vagaries of the UK rail franchising process, Virgin Rail's over-ambitiousness, Road King's poor share price, the flat margins of the UK bus industry - but all these seem trifling when set against the continued growth in profits, the increase in margins in nearly all sectors, and the continued performance of Porterbrook, the company's milk cow, providing half the profits.

There is also the risk that one day Mr Souter will attempt a deal too far, but there is very little in his record to suggest that he would risk the future of the company on a dodgy deal.

Mr Kinski stresses that he, too, plays an important role in the acquisition process, hinting that he would curb any of his boss's excesses: "Brian brings the ideas to me and to Keith Cochrane [the finance director] before presenting them to the board. I look at how we will operate the new subsidiary, and Keith checks out the figures."

Mr Kinski is also adamant that Stagecoach will not venture into dangerous waters: "We pulled out of Kenya soon after I joined because I don't want to operate in crisis areas. That means we will not be going into Africa, nor into Eastern Europe."

Despite its performance, Stagecoach has never quite been the darling of the City, which remains suspicious of a company that keeps its headquarters in unfashionable Perth and eschews consultants and other expensive City services whenever possible. There are, however, noticeably fewer Cassandra's predicting doom for this upstart product of the Thatcher years. And if the double act of Mr Kinski and Mr Souter proves as successful over the next few years as it has so far, the Square Mile may at last embrace the company wholeheartedly.

Christian Wolmar's book, *Stagecoach, a classic rags to riches tale at the frontiers of capitalism*, is published by Orion Books at £18.99.



Brian Souter and Ann Gloag, the Stagecoach brother and sister team with a reputation for high-profile, aggressive marketing Scottish Daily Record

INSIDE A BUS AND TRAIN EMPIRE

Turnover (year ending 30 April 1998): £1381.5m (half year to October 31 1998 - £722.7m, up 6 per cent)

Operating profit: £219.1m (half year to October 31 1998 - £132.1m up 30 per cent)

Market capitalisation (24 February 1999): £3.394bn

Employees: 33,000 in seven countries

Board: Brian Souter (chairman), Mike Kinski (chief executive), Keith Cochrane (finance director), Ann Gloag, Barry Hinkley, Brian Cox, Derek Scott; non-executive directors: Ewan



Brown, Barry Sealey, Robert Speirs

Divisions

UK bus: 19 companies including operations in London, Manchester, Newcastle, south

coast, Glasgow, Fife and many other towns and cities

Overseas bus: includes companies in Sweden, Finland, Portugal, New Zealand and Australia, and in the process of acquiring Citybus in Hong Kong

Rail: South West Trains, Island Line and Sheffield Tram

Porterbrook: rolling stock company

Airport services: Prestwick, Bristol's second largest freight airport

Other investments include Virgin Rail (49 per cent) and Road King (29.2 per cent)

BY ANDREW GUMBEL

FOUR YEARS ago, when the Internet was in its infancy and online companies were still in their equivalent of the late Cretaceous age, a venture capitalist called Mike Moritz paid a visit to two young graduate students at Stanford University's engineering school.

Jerry Yang and David Filo had just about abandoned their PhDs to pursue an all-consuming hobby, organising and categorising pages on the burgeoning World Wide Web. They were not making any money out of it, but they did seem uncommonly adept at what they were doing and it did not seem too fanciful to help lift them and their little enterprise, already called Yahoo!, on to a commercial footing.

Moritz, a partner in the Silicon Valley venture fund Sequoia Capital, has never forgotten what he saw when he opened the door to the trailer on the Stanford campus where the two of them worked. The blinds were completely drawn, even in broad daylight. The generators for their computers were whirring and creating uncomfortable waves of heat. The answer machine beeped almost incessantly. Strewed all around were golf clubs, dirty clothes and empty take-away pizza cartons. As Moritz later recalled: "It was every mother's idea of the bedroom that she wishes her sons never had."



Dave Filo (left) and Jerry Yang, the founders of Yahoo!, blazed a trail of success via the World Wide Web to create order out of the chaos of the Internet

Ed Kashi

The cyberpunks

But, in its own way, that trailer was also a peculiar reflection of Yahoo!'s abiding mission as it then was and remains to this day: a tool with which to create order out of the chaos of the Internet; a way of cutting through the cyberspatial fast-food and soiled laundry, if you will, to make it work for the consumer; and, above all, a temple of hard work, sheer enthusiasm and a near-monastic devotion to the cause.

The participation of Moritz and Sequoia Capital was only the beginning. What started out as a highly successful, clearly designed search engine for web pages has evolved into something more complex and more central to the future development of online computer technology. Yahoo! is no longer content to transport users to the Web; it wants to be the Web, or at least so essential a part of it that most users will have no need to search further for their Internet needs.

Already, Yahoo! provides a comprehensive news service, a full financial information package on any company, including a monitor of its share price, access to 3,500 online retailers, e-mail services, Internet access and any number of smaller, more special interests from auctions to gambling. Thanks to a customised Internet home-page builder, it is now possible to make Yahoo! the first and, for many purposes, the only stop on the World Wide Web - acting as browser, search engine and service provider all in one.

There is nothing remarkable about wanting to achieve this kind of synergy. After all, this so-called bundling of various services is precisely what the US Justice Department's anti-trust suit against Microsoft is about. But, in contrast to Microsoft, Yahoo! has achieved dominance in its field without arousing the suspicions of government regulators - for the simple reason

that it provides its services entirely free of charge to the end-consumer.

And it has done so in a number of ways that are indeed remarkable. First, it has built up the largest audience on the Internet, lagging just behind its somewhat differently focussed rival, America On Line. Secondly, it has - in contrast to other, smaller search engines being snapped up by large communications conglomerates - remained fearfully independent and true to its origins as a hand-crafted, clear guide to the morass of information out there in cyberspace.

And thirdly, it has managed to turn a consistent profit. Unlike online retail specialists such as Amazon.com, which have never shown black ink on their balance sheets and arguably never could, Yahoo! has, from the first days of its commercialisation in August 1995, managed to support its operations handsomely from advertising revenue.

Last year, it showed a net profit of \$25.6m (£16m) on revenue of \$203.3m (£127m) - admittedly, no more than a drop in the ocean set against the company's market capitalisation, which has shot up from around \$10bn (£6.3bn) four months ago to more than \$35bn (£21.9bn) now - but still a rare sign of bedrock business savvy in an industry that has looked, more than once in recent times, dangerously like a hi-tech ver-

sion of the South Sea Bubble. Yahoo!'s success is due to a combination of factors. It rests perhaps most fundamentally on Yang and Filo's original concept of web page design and web categorisation based on intelligent sifting by human researchers rather than a simple machine-generated word-search. Yahoo!'s system of categorisation and sub-categorisation has been much copied, but no other company in its field still maintains a large staff (in Yahoo!'s case, just shy of 700) that struggles to keep up with the ever-growing avalanche of new pages on the Net.

Yahoo! was also quick to understand the importance of providing raw information rather than fancy gimmicks or pretty graphics. People could find what they want without having to wait several minutes for fancy photographs, colour backgrounds or elaborate banners to download on their screens. The sec-

ond key factor is the company's business backbone. Several months before opening as a business three-and-a-half years ago, Yahoo! made sure it had a first-rate financial team in place, and Yang and Filo found what they were looking for in Tim Koogle, another Stanford engineering graduate with business experience at Motorola and at InterMec, the Seattle-based company that invented bar codes. Like the "chief Yahoo!", as Yang and Filo still call themselves on their business cards, Koogle was blessed with a kind of primal curiosity and enthusiasm: he had put himself through college repaying the broken-down car engines of his richer fellow students.

Koogle, in turn, hired another bright young executive, a former member of the Canadian soccer team called Jeff Mallett who had solid experience in marketing software and telecommunications. Be-

tween them, they kicked Yahoo! into shape, first with the launch of the commercial service, then with various capitalisations leading up to the initial public offering in 1996, and beyond into the complex world of picking smaller companies to acquire and resisting takeover offers from much larger ones.

The key strategy that Koogle, Yahoo!'s chief executive officer, and Mallett, chief operating officer and now president, developed was to maximise Yahoo!'s free public access while waiting carefully for the right moment to introduce any kind of charges. When Yahoo! first introduced adverts in 1995, for example, some of its most faithful users complained about the company "selling out". But by that stage advertising was already common enough, and Yahoo! popular enough, that the risk of alienating users was long passed. The company faces a similar dilemma now, with the publicity

benefits of, say, free e-mail services, needing to be weighed against making such services profitable. Some of Yahoo!'s more specialised services will probably be subject to charges soon, but it is a matter of extreme delicacy to determine when.

"If we can do a free service, that is our goal," Mallett said recently. For the moment there are still considerable mutual advantages to be reaped from big companies farming out their services on Yahoo! in exchange for the publicity and audience reach that both parties can enjoy. One recent example is Rupert Murdoch's News Corporation, which will be joining nine of its entertainment and news outlets to Yahoo! - not as a pre-emptive bid to buy the company, but merely as an exercise in joint promotion.

Back in early 1996, News Corporation had announced its intention to "bury" Yahoo! with the combined might of its own media resources, the Fox cinema and television networks and its own web service, the I-Go. Murdoch's people had announced that the offensive would slay Yahoo! in 60 days flat, much as Time Warner subsequently threatened with their own product, Pathfinder. The fact that News Corp has now come to Yahoo! in search of an alliance pays eloquent testimony to the company's hardiness. The big conglomerates have been unable to pose a serious threat to

Yahoo! because they jumped on the Internet bandwagon and, despite all their extraordinary capital resources, simply cannot hope to attract the same sort of following - in Yahoo!'s case, around half of all users of the Internet. The only serious competition, for the moment, remains AOL, particularly now that it has bought Netscape and has ambitions to set up a one-stop Internet service of its own. AOL traditionally tailors its services more to home computer users.

Yahoo! itself is in the acquisitions market, having recently snapped up GeoCities, a popular service for setting up personal home pages, and taken a stake in broadcast.com, which puts video and television footage on the web. The purpose of such acquisitions is to marry technology developed outside the company with Yahoo!'s uniquely flexible presentation and vast market - marriages that Koogle and Mallett have so far managed with great smoothness.

The secret of their success, Yahoo! says, is to have kept their feet firmly on the ground while negotiating the rapids of business on the Internet - the never-ending work cycle in which it is said that he who takes lunch ends up being lunch. Already, at this early stage in the industry, it seems that whatever the computer revolution brings, it's a fair bet that Yahoo! will be part of it.

EYEBALL ON A WEB WONDER STOCK

Chief Executive Officer: Tim Koogle	1998 net profit: \$25.6m (£16m), compared with a \$25.5m loss in 1997 due to large, non-recurring costs
Chief Operating Officer, President: Jeff Mallett	Market capitalisation: \$35.2bn (£22.9bn)
Yahoo! (founders): Jerry Yang, David Filo	Number of visitors to Yahoo! website in December 1998: 50 million
Employees: 700	
1998 turnover: \$203.3m (£127m), up from \$70.5m in 1997	

THE PLAYER: ADAM CROZIER, JOINT CHIEF EXECUTIVE, SAATCHI & SAATCHI

Big ideas are the simplest way to breed success

PERSONAL DETAILS: Aged 35. Lives in Teddington, Middlesex. Drives Toyota 4Runner. Pay undisclosed. Passionate about football. A knee injury at 16 scuppered his plans to be a professional footballer. He supports Celtic and is communications adviser to the World Cup 2006 campaign in the bid to make England the host country. His enthusiasm for golf has found an outlet in his work as a consultant for the English Golf Union.

CHALLENGE: "To create extraordinary ideas that can in some way transform our clients' reputation or brands," Mr Crozier says. "In doing that we can really drive our own business forward."

As joint chief executive he sees his role as providing the right forum for creativity as well as running the company successfully as a business. In the past, marrying these two objectives has been a problem for Saatchi & Saatchi.

CORPORATE BACKGROUND: When the Saatchi brothers and other senior members of the management team left the agency in 1995, Mr Crozier became joint chief executive at the age of 30, with Tamara Ingram. He joined Saatchi & Saatchi 10 years ago and rose to be vice-chairman when he was 29. He says he never thought of leaving the company during the turbulent

period that eventually led to the departure of Maurice and Charles Saatchi. "This is an amazing place with a lot of very loyal people. I can't imagine why anyone would want to work for any other agency."

Before Saatchi & Saatchi, he spent two years at The Daily Telegraph as marketing manager and group head of sales. After graduating from Heriot-Watt University in Edinburgh at the age of 20, he joined Mars as a management trainee.

STRATEGY: Given the highly competitive nature of the advertising market, Mr Crozier says that "simplicity and clarity" are very important in getting the client's message

across to potential consumers. In an overcrowded market that is results-driven, he is keen on "big ideas that are hugely simple", which can also be used in campaigns across a variety of media. Adverts are viewed as just a small part of how companies communicate.

Saatchi & Saatchi views itself as a communications company, not just an advertising agency. According to Mr Crozier, some of its great campaigns include work for its two largest clients, Procter & Gamble and Toyota as well as the British Army, nurses and Carlsberg. The strategy is obviously working. At the time of the split, Saatchi & Saatchi slipped to number six. But in just

four years it has risen to be the UK's second biggest agency, behind Abbott Mead Vickers. "The success in the last couple of years is phenomenal," says Mr Crozier. Profit before tax and exceptional items rose by 31 per cent to £30.7m in 1998. Ongoing revenue rose by 6 per cent to £363m.

MANAGEMENT STYLE: Mr Crozier believes organisations need to change constantly and a good manager understands how to manage this process. A youthful, unpretentious character, he describes himself as "very inclusive, very demanding and calm under pressure" and he adds: "I believe my job is to coach the best out of people." He tries to encourage

people that making mistakes is OK, "as long as the same mistake is not made twice," he says. "Everything in the company is geared to getting great ideas out for clients."

MOST ADMIRERS IN BUSINESS: Sir Brian Pittman, chairman of Lloyds TSB Group, who "runs a fantastic company". Mr Crozier is also a fan of Archie Norman, chairman of Asda. "What he took Asda through was superb," he says.

CITY VERDICT: West LB Panmure's media analysts recommend buying the shares, which they forecast could rise to 240p on fundamentals alone.

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Thriving on Ross Goobey's kind of wisdom

THE DEATH of George Ross Goobey, the man who introduced the "cult of the equity" to the UK's professional investment scene, is a timely moment to stop and take some badly needed perspective on the current state of the markets.

As most of the obituaries have rightly noted, in a long and distinguished career as the in-house manager of the Imperial Tobacco pension fund, Mr Ross Goobey did more than any other single individual to persuade pension fund trustees in this country that it was both prudent and rational to commit most of their assets to the stock market.

Before his arrival on the scene, most pension funds had most of their assets invested in Government and corporate bonds. Bonds were, as recorded in the pages of the Forsyte Saga and other chronicles of the lives of the affluent, the "safe as houses" medium of choice when it came to investment. What, after all, could be safer than putting

your money with the Government, the safest credit in the land? The idea that the average pension fund might have 75-90 per cent of its assets invested in the stock market would have been regarded at the time as the height of folly. Yet that is the situation today.

What conventional wisdom of the day failed to see - but which Mr Ross Goobey most certainly did - was three things. One was that equities are ideally suited to the kind of long-term investment that pension funds are perforce engaged in. Because dividends grow faster than inflation over time, equities provide pension funds with a well-fitting match for their long term liabilities, which are to pay pensions linked to the rate of increase in wages and prices.

Secondly, Mr Ross Goobey was smart enough to see that gilts and other bonds, however safe they might seem to be on the surface, were in practice anything but. His original line was centred on the in-

famous 2.5 per cent Consols issued by Hugh Dalton, the first Chancellor of the post-war Labour Government.

At a time when inflation was at 4 per cent, there was no way in theory or practice, he pointed out, that Consols could provide pension funds with the 5 per cent a year returns that they had blithely offered their employees and pensioners. Yet for years many pension funds continued to load up with gilts, oblivious to the real risks that they were running (even if, to be fair, none of them could have foreseen quite how bad the inflationary excesses of the Sixties and Seventies were going to be).

Thirdly, given these first two insights, it was not difficult for Mr Ross Goobey to spot another feature of the investment markets in the immediate post-war period. Precisely because conventional wisdom held that gilts were a safer choice than equities, shares and gilts were always priced in such a



JONATHAN DAVIS

What his career ultimately demonstrated was the essential paradox of all investment

way that the yields on shares exceeded that of gilts.

It was only when the rest of the world eventually concluded that this was the wrong way round did the anomaly disappear. By being the first into the field, Mr Ross Goobey was able to benefit not just from the superior returns provided by equities over the long term, but he also gained from the once-in-a-lifetime revaluation of shares as the "cult of the equity" became a reality in the mid-Fifties.

This is the origin of the so-called "reverse yield" gap, the notion that shares should - as they do now - always yield less than gilts, rather than the other way round, which is how it had been for 100 years or so before Mr Ross Goobey arrived on the scene. Since the Fifties, the yield on gilts has consistently and without exception exceeded that on shares. It still does so today - although with inflation falling, the margin between the two has fallen to its lowest level

in many years. The interesting thing about Mr Ross Goobey, however, is not just that he was the first professional investment manager to expose the internal contradictions of the prevailing actuarial assumptions which underpinned the valuation of the market at the time. What made him an outstanding investor was his refusal to let conventional wisdom (including his own) blind him to changes in the prevailing climate.

By the early Seventies, for example, he realised that the revival of the equity markets had gone far enough and made a second big strategic leap into property, which he believed offered better value than the stock market. By the time yields on gilts had reached double digits in the mid-Seventies, he was quite prepared to argue the case for them as well.

The interesting question is what he would think of the markets today. I don't know what his personal views were more recently, but

re-reading this weekend a speech he gave at an investment conference in 1971, it is striking how clear his analysis of the bull market at the time was. He went out of his way to make clear that the move out of gilts which had made his name arose "only because I was convinced that they were ridiculously cheap compared with the traditional gilt-edged, and not because I was following a cult or a fad".

His conclusion then was that there was little to choose between gilts and equities at their then levels, but that in his view property shares offered a better long-term investment than either.

What Ross Goobey's career ultimately demonstrated was the essential paradox of all investment - which is that conventional wisdom can never by definition deliver more than average performance. To do exceptionally well, you have to embrace an insight that may well appear cack-eyed to most sensible people at the time.

Should you invest in... the financial sector?

THERE IS little doubt that the financial services business is likely to show considerable growth over the next decade. But the question of which companies are best placed to take advantage of this process is less clear-cut. The "other financials" sector is one of the "mixed-bag" market groupings, where the niche of an individual company is more important than the fact that it shares a financial business with its peers.

Broadly speaking, there are four types of company within the sector - stockbrokers, companies offering other forms of financial advice or service, trade finance houses (often with considerable overseas exposure) and fund management companies. It is the latter group that has been attracting the most attention recently.

"The really positive news within the last couple of weeks has been Prudential's offer for M&G Group," said Richard Peirson, manager of Framlington's specialist Financial Fund. "It was not just M&G that rose on that. Perpetual, Schroders and several other fund management companies bounced back very sharply."

Mr Peirson warns, however, that this particular rally may only be short-lived. "Some of this has been overdone," he says. "Prudential paid a premium price for a trophy brand name with M&G. Even though it has been underperforming for some time, M&G is still one of the best-known names in retail fund management."

This opens the question of whether the Pru/M&G link-up ushers in an era of corporate activity that may see more

BY KEIRON ROOT

takeovers. "The M&G bid could be an indication that the Pru feels that returns from life and general insurance are not as attractive as those from fund management," said Jeremy Batstone, of NatWest Stockbrokers. "The Pru's own figures assume that the unit trust business is going to increase threefold over the next few years, which will leave some of these fund management companies in very promising positions."

Gavin Oldham, of the retail brokers The Share Centre, said: "The arrival of ISAs is going to have a big impact and the fund management companies are going to be the major beneficiaries in the retail market, as the Government has applied CAT standards only to collective investments."

Mr Batstone sees potential for further consolidation. "One effect of the deal is that other fund management companies are now wondering whether they will be involved in the consolidation process. "Perpetual is an obvious one that stands out, as is Schroders, which is often talked about as a takeover target. It is one of the last remaining independent merchant banks with the controlling family still owning 47 per cent of the shares."

Similar factors affect other types of company within the sector although the position is not as clear among the stockbrokers. "I'm not sure you can be over-specific about the effects of consolidation here, as it is so much a 'people business'," Mr Oldham said. "Mid-range private client business is coming to the fore, so there is

a lot of longevity. There is quite a lot of hot air about the inevitability of mergers."

This suggests a promising future for acquisitive brokers such as Brewin Dolphin, Rathbone Brothers and Gerrard (which owns Greig Middleton), provided they can offer the right type of private client service. Mr Oldham said: "There is enormous potential growth in this particular market, both in terms of customer demand and their ability to access services, through such areas as the Internet. If you look at some of the ratings of retail brokers in the States, you see evidence of this - there was a period recently when Schwab became worth more than Merrill Lynch."

Beyond these growth stories, the waters become darker. "It is not a particularly homogeneous sector," said Mr Peirson, "so it is not easy to give a broad view of major trends. One general point you can make is that this group has tended to underperform both the overall financials index and the main market over the past three or four months, ever since the sharp drop in market confidence last October."

In other words, whilst the big banks and insurers have already bounced back quite strongly, the smaller, more diverse companies in this sector have taken longer to respond. But respond they undoubtedly have. "The sector was the second best performer in the market during February," Mr Batstone said, "rising 14.1 per cent." This compares with a 12-month rise to the same date of just over 15 per cent.

This sluggishness is put down to the fact that the group



Prudential boss Sir Peter Davies's offer for the M&G Group has boosted the sector. The Advertising Archive

at present contains no FTSE constituents, Mr Peirson said. "Most of the companies in this sector have been mid-cap or small-cap and have, therefore, been underperforming."

Mr Oldham said this phenomenon has been repeated across the whole stock market. "Smaller cap companies have found that their market makers have largely disappeared as a result of the introduction of order book trading for the FTSE 100 companies. A lot of houses have discovered they don't need a market-making function to trade large caps, so have dispensed with it altogether and a lot of liquidity has dried up from the mid and small-cap market as a result."

Mr Batstone says this situation could get worse. "M&G is currently the largest stock in the sector and when it goes, the sector is going to become even less attractive to those institutions who don't bother with companies when they fall off the screen."

SHAREWATCH

BUY

Standard Chartered says SG Securities. (850p.) Standard's strategy has been to expand through the Asian economic downturn, positioning the group to capitalise on Asian economic recovery from 2000 onwards. Long term economic growth of 4-8 per cent, compared to 2-3 per cent in Europe, offers the prospect of higher rates of return for Standard Chartered than for the domestic UK banks. This gives a price target of 1200p a share. WPP is a good buy (523p) says Charles Stanley. In addition to acquired growth, the apparent scope for margin expansion within the existing businesses should continue to transform single digit revenue growth into double digit earnings for some time to come.

SELL

J D Wetherspoon (284p) says Charterhouse Securities, which predicts two years of good growth before momentum begins to slow down. As a consequence, there is a high probability that the rating will decline from its current premium level. It suggests that investors should look to reduce holdings and reinvest them elsewhere into quality operators with plenty more mileage ahead of them.

NO PAIN, NO GAIN: OUR MAN'S PORTFOLIO

Go for the sound high yielders

THE STOCK market has yet to fully appreciate the country has entered an age of low interest rates. With money rates at their lowest for more than 30 years, and further reductions expected in the next few months, it is surprising to find that around the market so many well known and substantial companies with high-yielding shares.

Normally a high return signals at least the likelihood of a cut dividend, perhaps no payment at all or even acute danger. Indeed the higher the yield the greater the risk.

The latest FTSE shake-up underlines the way the market has lost sight of simple attributes such as profits and dividends. The groups bundled out of the blue chip index this week are making handsome, although not spectacular, profits headway and, in the main, increasing dividend payments.

Gallaher, the cigarette group, is one of the ex-FTSE trio. Its shares offer a yield of more than 7 per cent. In part this is due to the realisation over recent weeks that the



DEREK PAIN

group's FTSE status was under threat with the consequent erosion of confidence as FTSE tracker funds bailed out.

But not so long ago 7 per cent indicated all sorts of possible disasters. Yet Gallaher is trading well. Although profits were down, the cigarette company still made £18.6m and should do better this year. More importantly it will have no trouble holding its dividend.

Safeway, the supermarket chain, was another FTSE casualty. Here profits should be marginally ahead, say £355m

against £340.2m. But the dividends should at least be held, providing a 7 per cent-plus yield. To add to the investment appeal, Safeway has aroused predatory instincts. Asda would have liked to agree a merger, but Westminster's attitude was the stumbling block. And Wal-Mart, the huge US retailer which has been linked with a host of chains in this country and Europe, could settle for Safeway's undoubted charms.

Tomkins, the out-of-favour buns-to-guns conglomerate, also yields more than 7 per cent. The group has cash to burn, hence its current tender offer to mop up £400m.

I am not suggesting any of the three relegated shares are about to go storming ahead. Trading prospects are not sufficiently exciting. It would need a take over bid to light any fire. But any investors who regard a good return as an important part of their portfolio policy should think in terms of the sounder high yielders.

Most of the high yielders are outside FTSE. But FTSE constituent, National Power, offers

almost 7 per cent. However its apparent generosity may not be all it seems. There is, in some quarters, a queasy feeling it may in a few years find it necessary to cut its payment. However BT Alex Brown disagrees. The investment house sees the privatised generator achieving a progressive dividend policy.

In the lower reaches of the market, yields can achieve Ruritanian levels. Even double figure returns lurk. However they are likely to be something of an illusion. A dividend cut is normally to be expected with such an offering.

Little Leeds Group, a textile business, has been offering a fancy return for a long while. Its rating shouted that a dividend cut was inevitable. In the event, it held its payment although profits fell by around a third.

If Leeds, admittedly operating in one of the toughest industries, can hang on again - and there are those who think it will - then it will make the ultra-safe returns offered by special savings accounts like those of, say, the Halifax, look like dead money.

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Evolution of the electronic trader

BY ROBIN AMLOT

THE OLD image of the stockbroker was of a chap - remember women did not exist in the City then - who arrived at the office with his bowler and briefcase in time for his mid-morning tea, had a longish lunch with a client, which the client paid for one way or another, and then went back home in time for afternoon tea. The Eighties put paid to all that, and gave us loud-mouthed yuppies with even louder braces.

Now, a mixture of social and technological developments are likely to put the yuppie stockbroker on the endangered species list. The social developments are there for all to see. We are being increasingly exhorted to fend for ourselves financially, even by New Labour.

The state has more or less reached the limit of what it can do to provide for us all, which means more responsibility is being thrust on the individual. That means we have to look after our own pension provision, our own long-term care and our own financial security. The mesh in the safety net now has larger holes.

Add to that social imperative the technological developments of the cheap personal computer and the Internet - not only has greater financial responsibility been thrust on us all, but also we actually have the power to do something about it.

Internet penetration and the use of computers in the UK is following the path already trodden in the US. In percentage terms of market penetration we are now where the USA was two years ago and more of us have regular access to the Internet than any other two European countries put together.

You should already know that the Internet can be an incredibly powerful information resource. It is the ability to access this information, take advantage of the knowledge it confers, and make your own investment decisions, which will lead to the demise of many of the broad-braced brethren of the City.

Stockbrokers offer three types of service: execution-only, advisory and portfolio management. Unless you are



With the power of the Internet, you can cut out the middle-man and buy and sell your own shares via the worldwide web

Rex Features

sitting on a sum of money in the high six-figure region, the costs of having your portfolio professionally managed are unlikely to be worthwhile. Most of us must make the decision between execution-only and advisory services and, until the past couple of years, we had the choice of dealing over the telephone or by post.

However, in the past two years, the growth in Internet usage has seen an increasing number of stockbrokers setting

up websites to attract clientele in cyberspace. Of the firms with presence on the Internet, a handful of UK brokers offer dealing services. They are not going to be in the minority for very long. The first online dealing services were little more than an alternate way of contacting your stockbroker. If you were going to buy or sell shares, instead of calling on the telephone, you sent what amounted to little more than a glorified e-mail.

On receipt of your message a stockbroker would read it and then make the trade for you. E-mail is obviously faster than the Royal Mail, but such services offer few attractions over existing telephone-based dealing operations.

What has changed in the past few months is that you can now execute your own trades. Instead of sending an e-mail to a stockbroker requesting the sale or purchase of shares, you are making the actual trade

yourself. Through a link ultimately to the Stock Exchange's own computers you deal immediately at the price you see on your screen. The first such fully automated web-based trade in the UK market took place at 9.11am on Monday, 14 December, via the brokerage Charles Schwab Europe.

Let's take another look at developments in the US. Three years ago, Charles Schwab launched its online trading venture. It is now the biggest in the

USA with 2.24 million online accounts and \$174bn (£110bn) under management via the Internet. In January, Schwab clients executed an average of 153,000 electronic trades every working day.

Schwab is not alone. There are now 112 online brokerage firms in the USA, offering individuals the ability to trade in stocks and shares. Between them they have almost 8 million individual customers.

Christos Cotsakos, chair-

man of the US's third largest online firm, E*Trade, says: "The old traditional brokerage model assumes people are dumb. They get charged a lot of money for the advice and counsel. Our model is: people are inherently smart. We liberate you with information, charge a value-added price, let you become self-directed and have you handle your financial services."

Charles Schwab, through the purchase two years ago of Birmingham-based Sharelink,

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now Charles Schwab Europe, is at present the leading online brokerage in the UK. E*Trade is also aiming at UK investors, having taken control of an online broking business, Electronic Share Information, in June 1998. One unlooked-for outcome of the explosive growth of individual involvement in the stockmarket in the USA is the "day trader" phenomenon. These are the people for whom a long-term investment is one they are still holding when the market closes.

This kind of frenzied market activity helped to propel share prices in the USA to record highs and, in particular, has allowed firms involved with the Internet and the worldwide web that make little or no profit to gain market capitalisations on a par with some of the largest and most profitable companies on the market.

Such activity goes against the accepted wisdom of shares being a long-term investment. Indeed, it is highly unlikely to be the way to long-term financial security, since day traders are solely relying on movement in the capital value of the shares. It takes no account of the income potential of the shares or of the quality of the business. If you plan on building a nest egg for the future, this is not the way to behave.

Don't let taxing choices lead to a bad mistake

BY RACHEL FIXSEN

WHEN YOU have money to invest, there are always plenty of people dying to take a bite out of it. Fund managers make their charges and intermediaries take commission. But the biggest chunk goes into the taxman - unless you can avoid it.

Successive governments have devised a whole host of tax-efficient or tax-exempt ways to invest, from Personal Equity Plans (PEPs) and Tax-Exempt Special Savings Accounts (Tessas), to pensions, National Savings and insurance-linked products. But are they always a good buy simply because they are tax-free?

While a tax-efficient investment will give you a higher net return than the same investment with no tax break, advisers warn against choosing a particular investment product on its tax status alone. "There are circumstances where you'd be wise to go down the tax-exempt route, but not always," says Dawn Slater of independent financial advisers Dawn Slater Associates.

The most important consideration is that the investment is suitable for you and offers the prospect of good returns. For instance, personal pension plans allow you to save for retirement out of your gross income, with the investment growing tax-free, plus the prospect of a tax-free lump sum on retirement. For someone with no access to an occupational pension scheme, personal pensions normally make sense. But if you are not able to tie money up until retirement, then they are not the right choice.

PEPs allow investors to hold share-based investments and some types of bonds without any liability for income tax on the dividends or capital gains tax on the profits.

With PEPs, it is not just the tax-break that boosts returns. Some providers have lower charges on their PEPs than they do on the same investment without the tax-free wrapper.



Tax-free may not be ideal for you

David Moir

This is because of strong competition in the PEP market.

However, it is still vital to choose a PEP provider or fund management group that you judge to have good performance prospects and reasonable charges.

In any case, owning shares

may mean taking on more risk than you feel comfortable with. A lot of money which would otherwise be saved in a building society account has gone into PEPs, although many savers do not understand the risk of owning shares, says Stephen Dight of IFAs Grosvenor Financial

Services. "You shouldn't necessarily change your investment strategy just to get your tax allowances," he says.

"As long as you wanted to make that investment anyway a PEP could be a good idea," he says. "But a lot of people have taken them out for all the wrong reasons."

Many investments look attractive in their marketing literature because they are tax-free, but they would be very unattractive without that status. Friendly societies offer regular savings plans that give a tax-free return. The plan has to be kept going for 10 years to get the full benefits, and the most you can invest is £25 a month or £270 a year.

"Some of these friendly society savings plans offer poor value, but on the other hand, they're accessible at £10 a month," says Ms Slater. People on lower incomes could not afford the level of monthly contribution demanded by many PEP/ISA providers; friendly society plans plug that gap.

Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EIS) offer tax breaks, although they can be risky. The EIS was intended to help companies to raise small amounts of equity finance.

Investors in an EIS company get 20 per cent income tax relief on their investment, and all the gains on those shares are free of capital gains tax.

Venture Capital Trusts are similar to investment trusts, but mostly invest in unquoted companies or shares listed on the Alternative Investment Market. They are generally less risky than an EIS, says Stephen Dight. "You have to draw the line somewhere. These focus on the tax break and not the investment. You are better off playing safe with your net income than gambling with your gross income and losing the lot," says Mr Dight.

Grosvenor Financial Services, 01491 414145; Dawn Slater Associates, 01635 45325

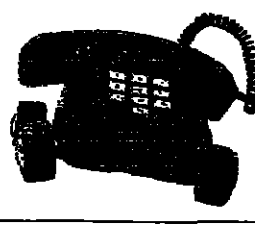
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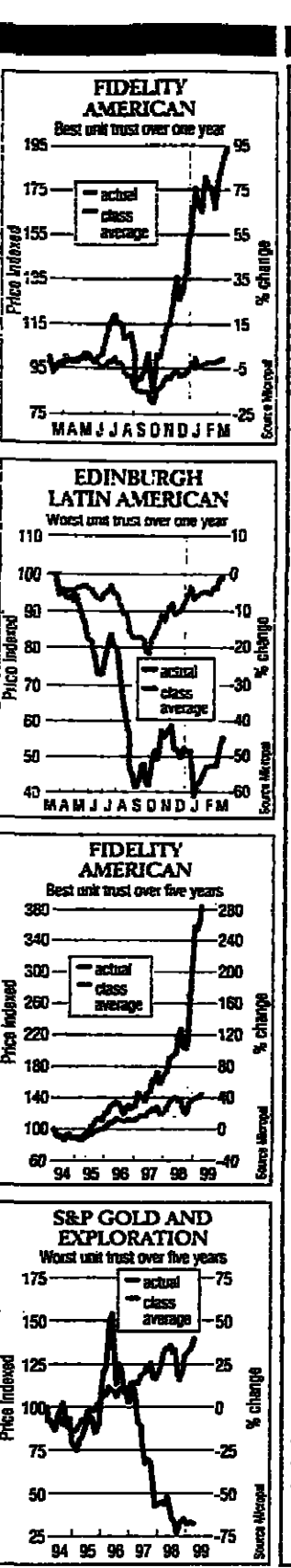


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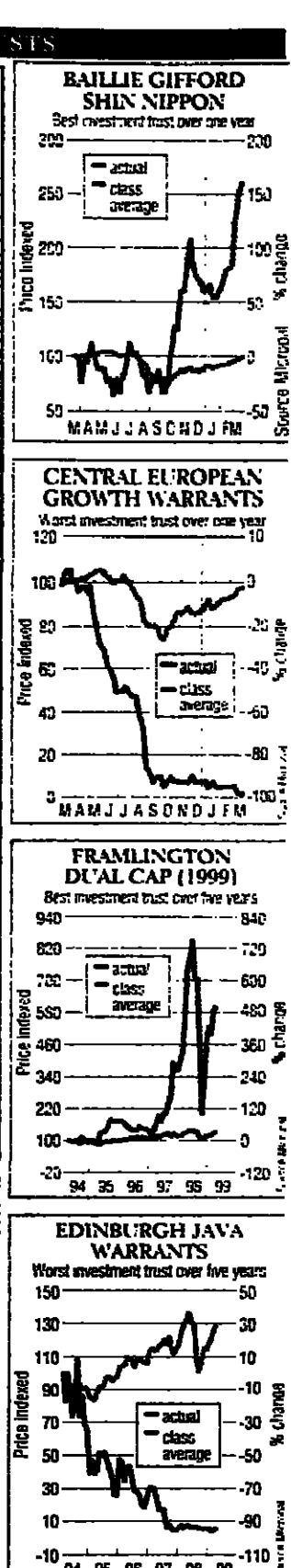
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JP 11/10/99

UNIT TRUSTS		
BEST PERFORMING OVER ONE YEAR		
Initial £1,000 lump sum, mid-price to mid-price		
RANK	UNIT TRUST	CASH, £
1	Fidelity American	1,943.19
2	Johnson Fry New Japan	1,693.67
3	INVESTCO GT Japanese Smaller Cos	1,539.12
4	Barclays PSF Japan Smaller Cos	1,539.73
5	S&P Japan Smaller Companies	1,491.12
WORST PERFORMING		
1545	S&P New Europe	571.57
1546	Edinburgh Latin American CI B	552.01
1547	Paragon Latin American 6th	550.17
1548	Scott Widows Latin American	549.61
1549	Edinburgh Latin American CI A	548.79
Mean/Count		999.65/1549
BEST PERFORMING OVER THREE YEARS		
1	Fidelity American	2,887.86
2	TU European	2,367.33
3	Jupiter UK Growth Exempt	2,317.11
4	Old Mutual North American	2,137.22
5	Barclays German Growth	2,121.51
WORST PERFORMING		
1363	Cartmore Gold & Int Resources	414.94
1364	Lazard Pacific Growth	406.36
1365	M&G Gold	394.85
1366	Old Mutual Thailand	254.24
1367	S&P Gold & Exploration	246.94
Mean/Count		1,298.10/1367
BEST PERFORMING OVER FIVE YEARS		
1	Fidelity American	3,871.35
2	GA North American Growth	3,539.91
3	Aberdeen Global Technology	3,451.50
4	Edinburgh North American CI B	3,218.28
5	Edinburgh North American CI A	3,205.00
WORST PERFORMING		
1140	Edinburgh Latin American CI A	399.07
1141	Gowat US Bear	396.66
1142	S&P Korea	361.47
1143	Old Mutual Thailand	339.15
1144	S&P Gold & Exploration	318.11
Mean/Count		1,593.17/1144
BEST PERFORMING OVER TEN YEARS		
1	Aberdeen Global Technology	10,811.96
2	GA North American Growth	8,172.75
3	Fidelity American	8,866.62
4	Edinburgh North American CI B	7,863.89
5	Edinburgh North American CI A	7,639.38
WORST PERFORMING		
763	HSCB Japan Index	591.34
764	Henderson Japan Smaller Cos	578.20
765	INVESTCO Japanese 6th	536.99
766	M&G Japan	493.21
767	Barclays Japan	405.04
Mean/Count		2,902.81/767



INVESTMENT TRUSTS		
BEST PERFORMING OVER ONE YEAR		
Initial £1,000 lump sum, mid-price to mid-price		
RANK	INVESTMENT TRUST	CASH, £
1	Baillie Gifford Shin Nippon	2,606.06
2	Barclays Smaller Cos Wts	2,604.52
3	Schroder Japan Growth Fund Wts	2,030.00
4	Fidelity Japanese Values Wts	1,925.93
5	INVESTCO Japan Discovery Wts	1,696.97
WORST PERFORMING		
483	Templeton Latin America Wts	253.33
484	First Russian Frontiers	225.12
485	Ion Plantations Wts	149.25
486	First Russian Frontiers Wts	132.70
487	Central European 6th Wts	11.30
Mean/Count		566.13/487
BEST PERFORMING OVER THREE YEARS		
1	Flamingo Inc & 6th-Cap (2000)W	12,600.03
2	Jupiter Extra Inc Wts	9,750.05
3	Barclays Wts	5,450.00
4	Jova - Cap (2004)	5,368.26
5	Franklington Dual-Cap (1999)	4,126.25
WORST PERFORMING		
420	Edinburgh Java Wts	125.00
421	Aberdeen New Dawn B Wts	72.03
422	Pacific Assets Wts	62.50
423	Aberdeen New Dawn C Wts	20.20
424	Central European 6th Wts	9.63
Mean/Count		1,570.55/424
BEST PERFORMING OVER FIVE YEARS		
1	Franklington Dual-Cap (1999)	6,105.02
2	For & Cal Enterprise	4,370.45
3	Jova - Cap (2004)	4,244.67
4	Jupiter Primordia Growth	3,340.93
5	Candover	3,197.74
WORST PERFORMING		
305	City of Oxford Wts	100.00
306	Henderson Japanese Smaller Cos Wts	89.29
307	Paragon Japanese Wts	89.04
308	Aberdeen New Dawn B Wts	61.59
309	Edinburgh Java Wts	43.48
Mean/Count		1,419.59/309
BEST PERFORMING OVER TEN YEARS		
1	For & Cal Enterprise	10,445.45
2	Franklington Dual-Cap (1999)	6,981.65
3	Candover	7,302.87
4	Jupiter Primordia Growth	6,357.42
5	Nights & Issues-Inc (2001)	6,217.52
WORST PERFORMING		
111	Trust of Property Shares	884.82
112	For & Cal Emerging Markets	834.52
113	Baillie Gifford Shin Nippon	796.39
114	Korea-Europe Fund	425.82
115	INVESTCO Enterprise	323.29
Mean/Count		3,785.32/115



UK CAPITAL AND EQUITY GROWTH FUNDS		
BEST PERFORMING UNIT TRUSTS		
Initial £1,000 lump sum, mid-price to mid-price		
RANK	UNIT TRUST	CASH, £
1	Midland Household Names	2,700.00
2	Dunelm RCM UK Growth	2,600.00
3	Dunelm RCM UK Mid-Cap	2,500.00
4	Barclays PSF UK Equity	2,400.00
5	MIFM UK Special Sit	2,300.00
WORST PERFORMING UNIT TRUSTS		
151	Schroder UK Enterprise	50.00
152	Mercury Recovery	40.00
153	Fidelity Recovery	30.00
154	UK Enterprise Special Sit	20.00
155	Lincoln Recovery	10.00
Mean/Count		969.55/155
BEST PERFORMING INVESTMENT TRUSTS		
Initial £1,000 lump sum, mid-price to mid-price		
RANK	INVESTMENT TRUST	CASH, £
1	Capital Opportunities	2,600.00
2	Avon	2,500.00
3	Fidelity Special Values	2,400.00
4	Investment	2,300.00
5	Schroder UK Growth Fund	2,200.00
Mean/Count		913.74/13
WORST PERFORMING INVESTMENT TRUSTS		
1	Capital Opportunities	2,600.00
2	Avon	2,500.00
3	Fidelity Special Values	2,400.00
4	Investment	2,300.00
5	Schroder UK Growth Fund	2,200.00
Mean/Count		1,573.70/5

BEST MORTGAGE RATES						
FIXED RATES - WITHOUT REDEMPTION TIE-IN						
TELEPHONE	RATE	PERIOD	MAX LTV	FEE	DISCOUNT	REDEMPTION PENALTY
0800 3020210	5.39%	1 years	90%	£95	Refund of valuation fee No MIP	1st 20% 4.5 months interest
0645 909192	4.94%	1.2 1.02	95%	£295	Holiday Mixture - min STPO	1st 14.02 % of amount repaid
0800 774499	5.24%	5 years	80%	£250	No high lending fee/MIP	1st 5 years 5% of amount repaid
0645 766 5522	5.45%	31.5.04	90%	£295	No MIP	1st 31.04 % 6 months interest
FIXED RATES - WITH REDEMPTION TIE-IN						
0800 216121	3.49%	01.5.01	90%	£295	-	1st 5.04 % of amount repaid
0990 133149	3.90%	3 years	85%	£295	-	1st 5 years 5% of amount repaid
0191 242468	4.39%	31.3.02	90%	£245	Aids up to 60% - no MIP	1st 31.105 % of amount repaid
0845 6050500	5.19%	01.6.04	95%	£395	Free ASU for 6 months & aids up to 90% No MIP	1st 7 years 3.5% of amount repaid
CAPPED RATES						
01782 255150	4.36%	31.1.02	95%	£295	-	1st 1 year 1.72 % of amount repaid
0990 133149	5.65%	4 years	85%	£295	-	1st 4 years 5% of amount repaid
0545 7665522	5.95%	31.5.04	95%	-	Rearings free with 3 legal fees Aids to 90 % No MIP	1st 31.04 % 6 months interest
0800 163817	5.99%	31.3.04	90%	-	£400 mortgage Aids to 90% No MIP	1st 31.04 % 12 months interest
FIRST-TIME BUYERS (VARIABLE UNLESS SHOWN)						
0345 454546	3.99%	1 year	95%	£100	2.5% advances related & up to 90% no MIP	1st 1 year 5% of amount repaid interest discounted
0845 7665522	3.56%	31.5.01	95%	£295	Advances up to 90% no MIP	1st 31.04 % 6-12 months interest
0990 133149	4.20%	3 years	95%	-	£300 cash rebate	1st 3 years 10.07 % of amount repaid
051858 463244	5.45%	4 years	90%	£295	No MIP	1st 4 years 3.4% of amount repaid
VARIABLE DISCOUNTED RATES						
0990 133149	0.60%	1 year	95%	£250	-	1st 1 year 5.04 % of amount repaid
0845 6050500	3.30%*	01.6.01	95%	£250	Generic from ASU to 90% no MIP 1st 5 years 5% of amount repaid	
08121 5856404	4.45%	3 years	95%	£295	£250 cash rebate ASU for 1 year	1st 3 years 5% of amount repaid
01753 482100	5.45%	5 years	80%	£100	-	1st 5 years 5% of amount repaid
sickness and unemployment insurance. B + C = Buildings and contents insurance, rent - end of month of maturity. MIP = Mortgage indemnity premium.						
to change without notice. Please check all rates before borrowing.						
and on 22nd March 2000						
				Source: Moneyfacts		

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 - Contribution to research on new issue transactions
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 - Fluency in Russian and Ukrainian

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- Advanced use of Excel, Word and PowerPoint
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Nuts a
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Merger threat is all talk and no trousers

JANE HAS been having problems with her new boss Jonathan. "You know the kind of man," she says, as she gazes mournfully into her vodka. "Too much hair gel, and thinks you're going to take comments such as, 'I like to have a woman in each of my teams as it makes the men behave so much better' as a compliment."

"Well, what do you expect if you work in corporate finance?" I comment, but secretly I'm worried. Jane is the sort of feisty bird who eats patronising twits for breakfast, and could probably fell trees with one well-aimed blow from her razor-sharp tongue.

It's unlike her to be upset by

something so trivial, but she's asked for her usual "v&t" without the "t", so something's bothering her.

She sighs heavily. "There's more," she says. And so there is, unfortunately: a whole lot more. Because Jonathan has taken a shine to Jane - and he's not taking no for an answer.

"I've told him I'm not interested, but he just smiles at me in a really creepy way," Jane says and shudders.

"Honestly, I'll go insane if he makes another comment about how attractive I look today, or how I should wear that shade of lipstick more often."

"And if he pats me on the knee again... Do you think I should complain to someone?"

Always a tricky one, this. If she says something to personnel and they have a word with him, he could make her life a misery. Whistle-blowers get short shrift in pretty much any business, and the City's no exception.

On the other hand, Jonathan's clearly determined to treat my best friend as his next merger and acquisition and, as far as she's concerned, his is a hostile bid.

"Well, I think you have to complain," I say. "You know the score. If you fancy them, it's flirting. If you don't, it's sexual harassment."



THE TRADER

The office pest with the hands-on approach may not be quite what he appears to be

"If he tries to block your career, you've got him over a barrel."

"He'd probably like that," Jane replies and looks faintly sick. "Urgh, what a thought." Then we both stare into our glasses and I wonder why the world of work has to be so complicated and whether I shouldn't have a neat vodka, too.

Suddenly the idea of us both throwing in the towel and opening a flower shop together seems irresistibly attractive, until I remember that that would probably mean the two of us getting up even earlier than we do now.

Luckily, sexual harassment is something I haven't had to deal with, unless you count the ghostly

Neil scheming to get me sacked because I wouldn't go out with him - which, come to think of it, you should.

Still, he never patted my knee and he never made a lunge, except on one occasion after a particularly rowdy business dinner, but luckily he was so drunk by that time he was seeing double and went for the wrong one of me.

So I'm full of sympathy for Jane. The next time I speak to her, though, she's back to her old self and the boss problem is completely cured.

I'm longing to hear what happened to change the situation so, and Jane laughs. "I was having

birthday drinks for Toby in Rupert Street at the weekend: just me and 10 terribly camp gay men. Anyway, who should I spot in a corner but Jonathan - with a tight white T-shirt and his arm draped round a beautiful boy."

"You mean..." I say. "Yes," Jane continues. "All that heavy-handed flirting is a cover-up. You know what the City's like. He's terrified someone might find out he's not straight, and ends up overcompensating massively."

There's a relief, I think. Jane can relax at work, and the tonic water industry gets a reprieve.

"Oh, and there's one more thing," Jane says. "I got my promotion."

Still no relief on charity tax pain

BY STEPHEN BURGESS

ALMOST 300 members of the Charity Finance Directors' Group met in London last week to discuss the Government's proposals on the future of taxation for the voluntary sector, outlined in the Consultation Document with the Budget.

The reaction was disappointment. While important incentives for giving have been included, the main demand - for a rebate of charities' VAT burden, or at least a half - have been ignored. There is no compensation for the phased loss of Advance Corporation Tax (ACT) relief, in effect a £50m tax on charities' income, introduced this year.

Almost 400 years ago the concept of charity was first enshrined in English law. For 370 years since, Britain could boast that charities did not pay tax. Then, in 1972, after UK entry to the EEC, the Chancellor, Anthony Barber, introduced value-added tax. Principally a tax on sales, VAT was not meant to affect companies; it was an indirect tax on consumers. But, by their nature, charities are not businesses. They campaign and raise funds and are unable to recover tax on most spending. It was not a great burden when first levied at 5 per cent.

But successive governments saw the virtue of taxing spending rather than income. VAT rose to 17.5 per cent. In 1997 the cost to charities of irrecoverable VAT approached £400m a year.



Anthony Barber introduced value-added tax when Chancellor in 1971; by 1997, irrecoverable VAT was costing charities up to £400m a year

removal of ACT relief. It was a revenue-raising measure alongside the windfall tax on utilities and privatised industries, and charities were also hit. The total tax bill on charities was now building towards £1m, 8 per cent of total income. A further was avoided by the negotiation of a seven-year phase-in and promise of a wholesale review. Charities started to feel more optimistic that they were being heard and some compensation for the ever-rising tax burden was on the way. Voluntary organisations united in calls for a rebate in the cost of VAT, simplification of the tax rules and more incentives for giving.

Now, a year later, the Consultation Document has been published. Clearly the Government is unable or unwilling to meet calls for a VAT rebate. Concerns about EU law, misuse of charity status and pressure from the small-business lobby about fair trade are too great. This is

not an uncaring government. When Tony Blair talks of a Third Way, a giving generation and helping those who help those who cannot help themselves, it is with conviction. But how is it to be done? Where do charities go from here?

The Consultation Document does include ways to support the sector. Government proposes help with income generation, which could turn the tide on the key issue affecting charities today - the falling number of

donors. While not addressing specific requests, the proposals are valid. A lower tax burden would be a boon today, but the lifeblood of tomorrow's charity is its volunteers and donors. Without them, there will be no money to spend and nobody to do the work. But is the promise of help tomorrow good enough when charities are hurting today?

The proposals to extend Millennium Gift Aid and provide stimuli for payroll giving go fur-

ther than expected, and there are signs the Government is ready to do more if charities show this would boost support. Both systems offer the chance to engage donors through a simple, tax-effective system of regular giving at affordable cost. With effective marketing, this must help charities to obtain and develop support. But they need some assurance that the tax reclaim will not continue to be eroded as the basic rate of income tax drops. Responses to

the Consultation are due by 31 August, and the Government requests consideration of some 30 points.

While the proposals do not go far enough, by encouraging giving, they offer charities a rod to fish with.

Stephen Burgess is Charities Director at the accountants Saffery Chappin. He serves on the management committee overseeing the new MP Secondment Scheme.

Struggle against fraud

BY ROGER TRAPP

IF THE string of business scandals in recent years has demonstrated one thing it is that fraud is not an isolated incident. It is a constant fact of life.

In recognition of this, the audit faculty of the Institute of Chartered Accountants in England and Wales has produced a video-based training package aimed at raising auditors' awareness of the risks posed by corporate fraud.

Although you might have thought that the many dramatic collapses since the end of the 1980s would have raised awareness of the problem, Gorry Acher, chairman of the institute's audit faculty, said it had been struck by the lack of training to combat fraud in the professional and business sectors.

Part of the problem, he said, was that companies did not like to disclose they had been the victims of fraud. And in Britain there was no culture of whistleblowing.

The institute is believed to be the only professional body offering training in this area, so the package, which cost £100,000 to develop, should fill a gap. It is a realistic case study of how an audit can go wrong when a fraudster is involved.

Mr Acher pointed out that the increasing complexity of business and the constant pressure to perform make fraud more, rather than less, likely.

The Auditor at Risk package is available until 30 April at a discount of £195 for faculty members; £275 non-members.

Nuts and bolts training adds up

BY ROGER TRAPP

WHEN SIMON DAVIES joined the retail group Dixons a few years ago he quickly realised that the level of demand for quality young accountants meant that the company and others like it were going to find it increasingly difficult to do what they had traditionally done - fill their finance positions with part-qualified and newly qualified chartered accountants.

As a result, Mr Davies, the company's planning and analysis director, "started from nowhere, developing a training scheme".

And when the Chartered Institute of Management Accountants (CIMA) came up with its Training Through Partnership (TTP) initiative it seemed like an ideal opportunity, he says.

Among the facets which the scheme provides for companies is benchmarking against other companies' training efforts.

Mr Davies sees this as a "very important" element in helping the company to ensure that it has an excellent training programme.

In turn, that helps the company differentiate itself in the marketplace for good-quality recruits, while the graduates

themselves gain from being on a recognised course. Dixons, which has just become the 1,000th partner in the scheme that started in 1996, has 10 people involved and is expanding that number by five a year.

The success of the scheme comes as the CIMA qualification appears to be increasingly attractive to all sorts of employers, largely because of its practical grounding in the "nuts and bolts" of business.

The institute says one financial director has said the requirement that trainees apply their knowledge in a wider business context was particularly useful, since his company expected trainees to make an impact on the business from the start.

But it is not just companies which are seeing the benefits. Government departments and other public-sector bodies are among those signed up for an initiative that helps employers to regulate the amount of training and proficiency that should have been attained at each stage of the student's development.

The TTP programme achieves this through offering

a highly structured course in four stages, each with four modules - ranging from financial accounting fundamentals to management accounting control systems.

According to Customs & Excise, one of the public sector bodies to have signed up, a key benefit is that the scheme provides "a key professional benchmark" for training accountants.

PricewaterhouseCoopers, the world's largest accounting and general professional services firm, has set about establishing the programme in such places as Poland, Cyprus and Malaysia.

Allan McNab, founder of the firm's training scheme, said CIMA had addressed the concern about the continuing global shortage of world-class financial business managers.

Jake Claret, CIMA's director of member services, says: "What we've developed is a total-quality approach to the needs of students and business to ensure a win-win situation."

Pointing out that it combined flexibility and practicality with a rigorous structure, he adds: "But what makes TTP stand out is that it is an employer-based partnership."

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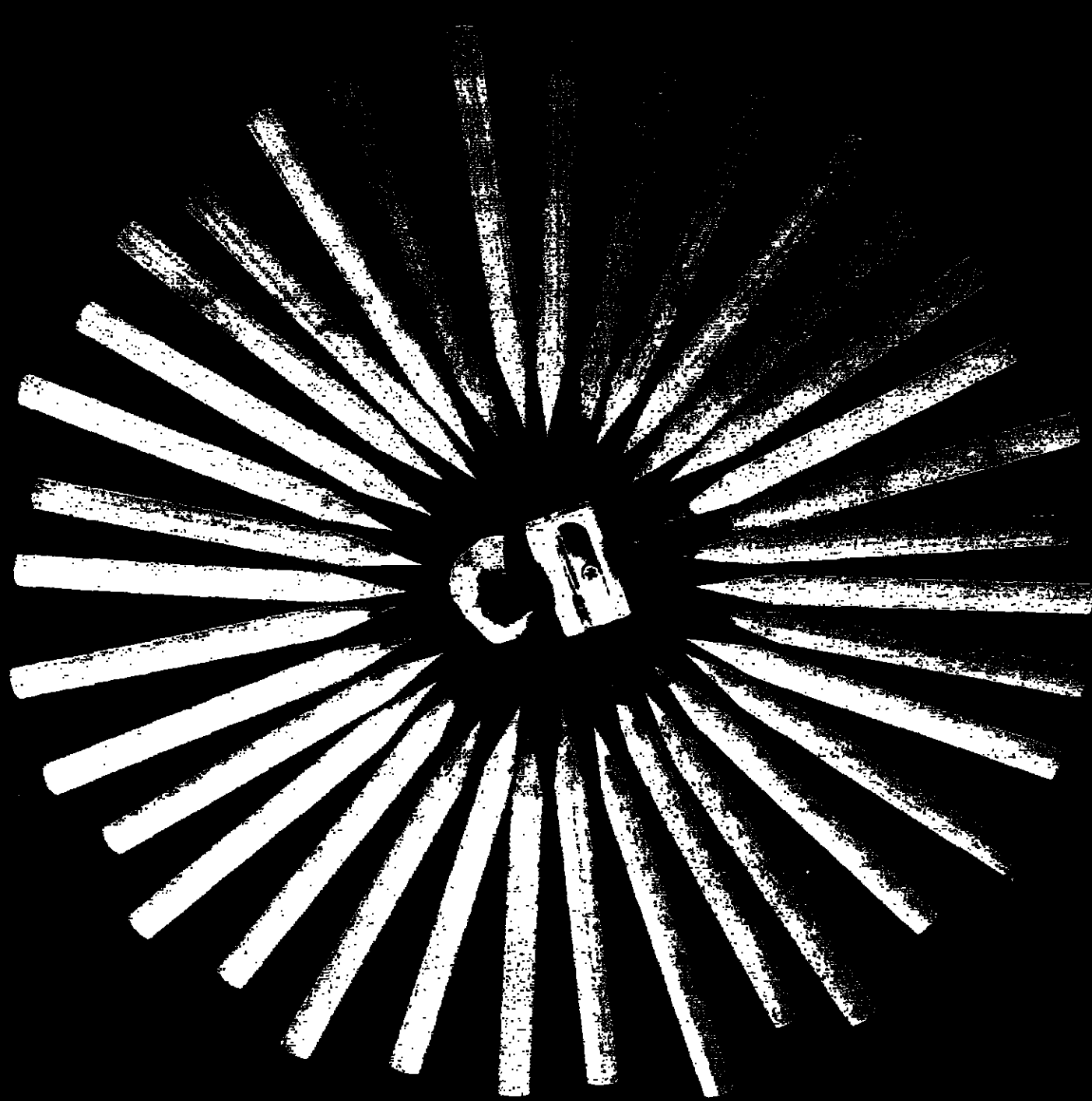
ME AND MY PARTNER

WILLIAM CAREY AND NIGEL LEGGE

William Carey was recruited by Nigel Legge to his sales team 13 years ago. Nine years later, the pair established River and Mercantile Asset Management, specialising in the UK stock market. They now manage £550m on behalf of 7,000 clients



'We wanted to challenge some of the conventional thinking, that you had to be a big company to be in fund management': William Carey (left) and Nigel Legge have headed River and Mercantile since 1995 *Tom Craig*



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Expanding Possibilities



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WILLIAM CAREY: In 1986, I wrote to the managing director of Henderson Administration to say I was interested in working in the unit trust industry. I was hauled in front of Nigel, the sales director, who offered to make me part of his team. I had a defined number of clients in a specific part of the country and my job was to make sure they got a good service. Nigel was hugely enthusiastic, very loyal and able to get things done. He's focused, and it was good to hold on to his coat-tails. I was with someone who was definitely going places.

I was out on the road four days a week, with five appointments a day. I explained to clients that I was new to the job, but they could ask me any question and I would get the information for them. I enjoyed the role of selling enormously, but it was a big company and there were a lot of people above me. I was keen to look at other sides of the business, and I was offered another job as an investment manager for one person to have not gone completely bald during that first period. But we shared it. Nigel

Then Nigel, who had been offered the job of sales director at James Capel, said: "Here's a hell of an opportunity - do you want to come and join me?" That put me in a difficult position because I had made a big decision to join the John Lamb Group. I jumped on my motorcycle and went to see the two owners of the group that evening. They thought I should take it, so I joined Nigel.

When I started at James Capel, our job was to raise money as quickly as possible. We were able to offer clients something different: people liked the idea that we were recommending James Capel products, because the name had a certain pedigree. We started as a small team - just 12 - but as it grew, Nigel became managing director and I was sales director for European business.

We have always worked incredibly closely. During that time, we grew to know each other very well. Then in 1994, I got a call out of the blue, asking whether I would be interested in setting up a unit trust company. I thought there was no point in leaving a big company to join another unless you got equity. But the carrot was there.

I didn't feel I had the confidence to be the lead man, so I spoke to Nigel and we decided this was very much something we would like to do. We realised we would never have tried to set up a company called Legge Carey, but what was presented in this company was a name - River and Mercantile - that had been around for 108 years, with existing funds under management, and we could call the shots. That was very interesting and very exciting.

We wanted to challenge some of the conventional thinking: that you had to be a big company to be in fund management, for example. I think people thought we were mad, but nobody can criticise you for having a go. Soon after we

started trading on 14 July 1995, our parent company sold off the investment trusts to other houses. That changed our perspective on life. We hadn't thought it was a possibility when we joined, but it did make sense because they were complex structures and due to wind up in the year 2000. But we could no longer say we had £400m under management, so that was quite a frightening moment. How were we going to persuade fund managers to join us when there was nothing to run? We were told we had to cut costs by 35 per cent, and we had a pretty open meeting with all the guys who had joined. We said: "We can cut staff, or we could take a pay cut." We didn't lose anyone, but people took that big cut, and I think they knuckled down. They were always convinced that we could do something. The most satisfying moment was after about 18 months when we made more money than we spent. That relieved a lot of the pressure about one's responsibility to the people who work here. It would have been difficult for one person to have not gone completely bald during that first period. But we shared it. Nigel

'Many people have trodden on a lot of toes to be successful - but you have to have trust and our style has been built on trust and openness'

is an optimist and very positive. He is good at talking to the press and is passionate about the industry. My role was to look after the people in the business. It's the combination that's so good.

We have been able to achieve things without causing a lot of upset. A lot of people are successful but they haven't half trodden on toes to get there. I would like to think River and Mercantile has a nice, informal but professional environment, and that everyone feels they know us well. You have to be able to trust people, and our whole style has relied on trust and openness. It's useful to have team support, where you are looking out for the others.

NIGEL LEGGE: I was at Henderson when I met William - the interview lasted seven minutes, and although it wasn't long enough to tell if he had the talent, he seemed like a pretty solid, nice guy, and someone I could work with. I enjoyed sales and marketing because there was nothing travelator-like about it - you weren't in the office, thumbing through boxes of cards, but you were entertaining people and communicating - and the people I was working with were like-minded.

What was particularly refreshing was the complete honesty with which we admitted the things we didn't know. William would say: "I don't fully under-

stand investment, but I wouldn't be here trying to encourage you to buy if I didn't have tremendous confidence in the people who are doing it." It was an open, trusting approach to get people to invest with us. We didn't want to hoodwink anybody. If we could build our business round transparency, integrity and honesty, I thought we could achieve something. It was an environment where you could respect and work with each other's strengths and weaknesses, which is why William and I have stuck together for so long. I am much more impatient than he is, but we have learnt to act as a foil to each other.

I left Henderson in 1988 for James Capel. William had left to become an investment manager for private clients - he was shipping over to the other side of the fence, and it was a valuable period for him. Then he and Richard Farquhar, who is now also at River and Mercantile, joined James Capel, and we had a good sales team because we enjoyed each other's company and did business with people who were happy to do business. It was fluid and never felt hierarchical - there was a strong chemistry between us. We experienced huge expansion, and James Capel became part of HSBC. One aspect of William's responsibility was looking after the PEF business, which was complex and highly regulated and therefore needed a safe pair of hands. It also helped that William is a great diplomat.

It just followed on that we would set up together. We would kick around ideas of what we thought we would do, unless it was blindingly obvious - in which case we would just do it. In bigger companies, you have to manage in the way that gives you the best chance of further progress - which is about politics. What's important is delivery. William and I are both quite strong-willed, and we have occasionally disagreed, but it now gets resolved quickly - when one has a firm view on something you can say: "I really don't think you are right on this one."

I remember at James Capel people always talking about the future. We had a fantastic role, and I remember saying to William: "We are not going to go anywhere - unless we are given a chance to do our own thing." The opportunity came up soon after, through a contact of William's. The crunch came when it was time to leave: it was very difficult and we had huge trepidation, but there was a certain pull. It was something we had to have a go at. We felt there was a good chance that we might be able to build something. I don't think either of us wanted to get to 60, only to think: "We should have had a crack at it."

William is now the godfather to my one-year-old daughter, which is nice after all the ground we have covered. We now have £550m that we manage for other people, which is considerable growth, and progress beyond all our expectations.

COMMENT • FEATURES • ARTS • LISTINGS • TELEVISION



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School gimmicks

Sir: Mentors and special tuition for 10 per cent of bright pupils. Who dreams up these gimmicks at the Department for Education and Employment? I have just retired after 30 years as teacher and head and the stupidity of this department never ceases to astonish me.

The answer to the problems of difficult schools is smaller teaching groups, which enable the teacher to give more time to the special needs of pupils.

Instead of wasting millions of pounds on "initiative a day" management, just give the money to schools and allow them to employ more teachers (not mentors, whatever they are.)

Many MPs, including Mr Blair, have moved their children to schools with budgets that enable them to operate small teaching groups. Listen to the teachers, Mr Blair, not the civil servants. Classes of thirty are a disgrace and it is about time class size was brought into line with the private sector.

TONY CALLAGHAN
Harpenden, Hertfordshire

Sir: The Government wants A-level students to attend classes for many more hours each week.

At present, most students do part-time work during their free time. They can then save up some money to help them afford to go to university. Finding time to do this will be virtually impossible now.

Guess who forced students into this part-time work, by cutting higher education grants?

WYN DAVIES
Buryport, Dyfed

Sir: Having had two children from my family experience the challenges of comprehensive education I, like Deborah Orr (Comment, 23 March), find the idea of extra tuition for the so-called talented risible. It suggests an uneasy balance between remaining nationally committed to non-selective education while at the same time promoting internal selection procedures which will be identified by staff and children alike as divisive and arbitrary.

When I was a governor of Pimlico school I would never have sanctioned such special treatment. Comprehensive, if they are to work, must create a community of talent in which the less able never feel excluded. Pimlico offered all the support necessary to the bright and determined children but was struggling to cope with the marginal ones who needed focusing. These children could benefit from extra tuition and a whole variety of extra-curricular activities. Sadly, comprehensives, because of their comparatively low-income parents, are rarely able to raise enough money from the PTAs. Hence the private sector wins. That is where the Government should be directing the money.

By endorsing Tory marketing concepts which encourage us all to scrutinise the league tables, the Government has fallen on its face. It is unrealistic to expect that those middle-class parents whose sole concern is their own child's prospects, and who are locked into the relentless scramble for selective secondary school places, will be converted to comprehensive education by this offering.

NICHOLAS PAUL
London SW11

Sir: It takes less than a week in teaching to appreciate that only a minority of children are very intelligent. It is obvious that those who are will best flourish and realise their potential when educated among their peers and that those who teach them should be sympathetic and cultured.

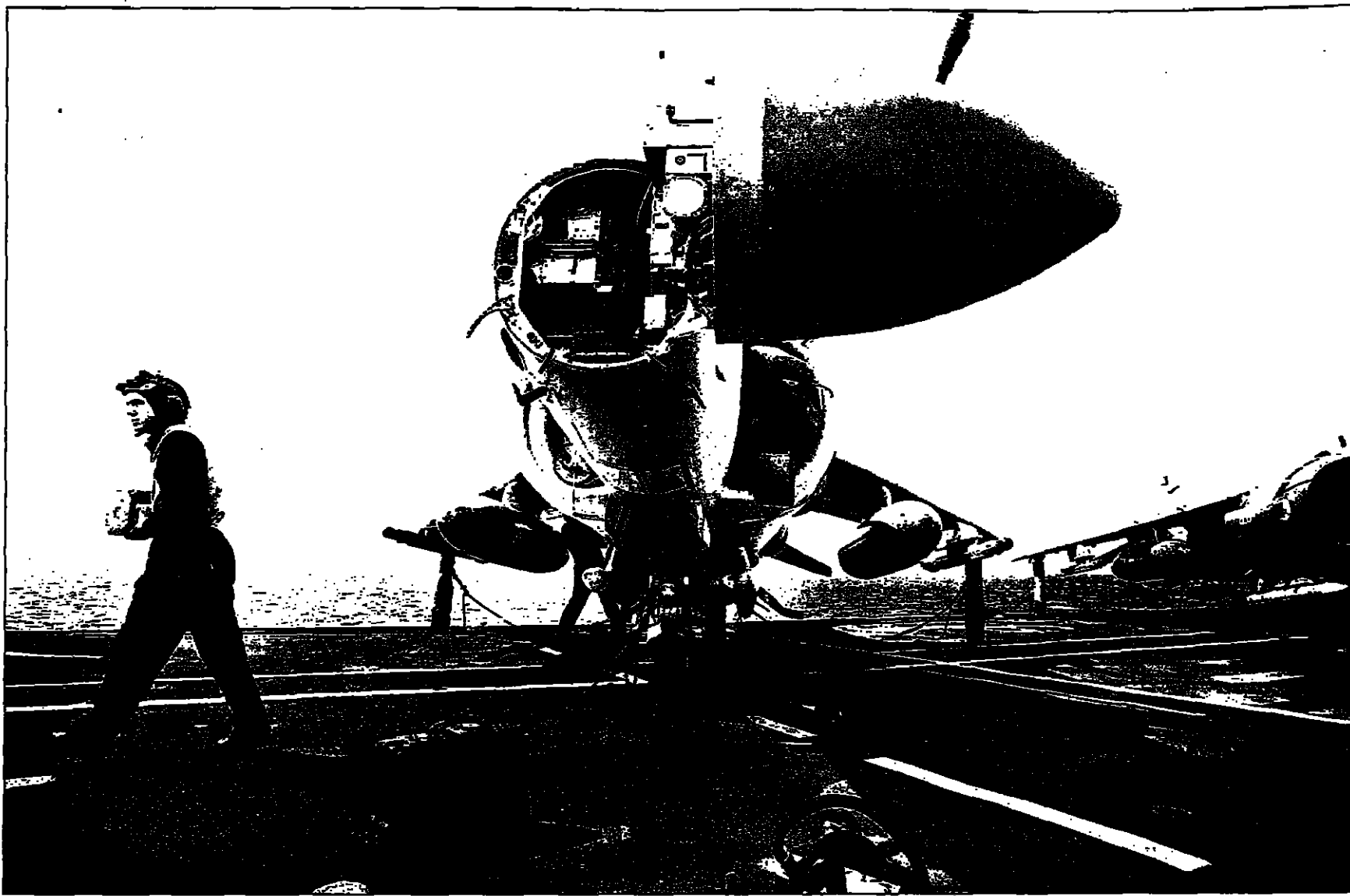
The ethos of the majority of comprehensive schools is anti-elitist and anti-intellectual (a major source of bullying). Discriminating middle-class parents shun them for this reason.

When the Government's proposed experiment in the comprehensives fails, common sense and competition will restore the grammar schools.

P G ADDISON
Ipswich

LETTERS TO THE EDITOR

Post letters to Letters to the Editor, The Independent, 1 Canada Square, London E14 5DL and include a daytime telephone number, fax to 0171 233 2056 or e-mail to letters@independent.co.uk. E-mail correspondents are asked to give a postal address. Letters may be edited for length and clarity.



HMS Invincible No 3: Inside the nose cone of a Sea Harrier, open for maintenance, is the British-designed Blue Vixen radar, the new partner to the American AMRAAM (advanced medium range anti-aircraft missile), also known as 'fire and forget'.

Neville Elder

Sir: Ministers claim they are privatising Hackney education authority because they are acting on behalf of Hackney parents and children ("Hackney loses control of its schools", 20 March).

In fact at no time have local people been consulted about this. And privatising the education authority was not part of the local election manifesto or my manifesto at the general election, for the very good reason that this is not Labour Party policy.

There is no evidence that this step will raise standards. What it will do is put tens of thousands of pounds, which should be spent in schools, in the pockets of consultants and contractors. And it will undermine local control.

If ministers really want to raise standards in areas like Hackney they should try giving teachers a decent salary rise. But that would mean taxing Middle England. And the Chancellor has actually cut income tax. So New Labour is prepared to sacrifice the life chances of poor children on the altar of low taxation, and rely instead on gimmicky management changes and consultants.

DIANE ABBOTT MP
(Hackney North and Stoke Newington, Lab)
House of Commons

US trade war

Sir: It beggars belief that the US is invoking free trade agreements in an attempt to force Europe to accept GM animal growth hormones ("US and Europe row over GM milk", 22 March), which are not only unnecessary, but actually harmful to human health.

Free trade is not intended to subvert national health strategies simply to provide US shareholders with a fast buck. Can we now expect Colt to demand greater access to European consumer markets for its precision-engineered weapons?

If so, perhaps the Medallion cartel should call on the American government to allow unrestricted imports of cocaine; at least that is a

product the US public seems to want.

MARK WOODWARD
London, E15

Sir: The biggest threats facing animal welfare today are the free-trade rules of the General Agreement on Tariffs and Trade (GATT), enforced by the World Trade Organisation. Already, two key European Union animal protection measures – the ban on the import of furs from countries using the leghold trap, and the prohibition of the marketing of cosmetics tested on animals – have largely been unravelled as a result of EU fears of WTO challenges. We are facing the same problem in trying to resist the import of genetically modified foods from the US.

Moreover, the GATT/WTO is making it increasingly difficult for the EU to introduce new animal welfare measures. The WTO allows the EU to ban a cruel rearing system within its own territory, but the inability under the WTO to ban the import of meat or eggs derived from animals reared in that cruel system in practice strongly deters the EU from banning the system within its own jurisdiction. The main reason why the EU is reluctant to ban the battery cage is that under GATT rules it could not ban the import of battery eggs.

The EU must include the animal welfare problem among its negotiating objectives for the WTO

Sir: I was much encouraged by Roger Chapman's suggestion (letter, 22 March) that tax relief for charities was just another way for the rich to transfer the burden of tax to the poor. The thought that the rich are foolish enough to spend £77 just in order to unload £23 in tax must give the poor new hope.

RICHARD STURCH
Ipswich, Oxfordshire

Sir: Washington says it wants to restore Kosovo's autonomy.

Millennium Round, a new round of negotiations starting in 2000, at which there is an opportunity to get new rules agreed.

EVE STEADMAN
Cambridge

Sir: We have already witnessed the threat of unilateral American sanctions as a response to the banana dispute between the European Union and the US. A recent edition of the television documentary on the Cold War provided a chilling reminder of the lengths to which the US will go to counter a threat to its strategic banana interests in Latin America. Economic sanctions, subversion, and if all else fails they send in the Marines. Europe beware.

Dr BRIAN HOUSTON
Hartley Wintney, Hampshire

Fathers shut out

Sir: That a divorced or separated father should "run around in a BMW and pay nothing towards his child's upkeep" is, as the Social Security Secretary says, intolerable ("Daring backs prying by CSA", 22 March). A couple of thousand of them are rightly sent to prison each year for such conduct.

However, there is ample research to show that nearly half of all single mothers deliberately obstruct or completely block access to their children by the fathers. It is a rarity for even one of

them to be sent to prison for repeated ignoring of court orders regarding paternal access.

Is this not equally intolerable and what does this government propose to do about it? What price sexual equality?

JOHN C GRIFFITHS
Redbrook, Monmouth

Falklands claims

Sir: We cannot let Ambassador Pfirter's justification for Argentina's claim to the Falkland Islands go unanswered (letter, 18 March).

First, it is not surprising, considering the membership of the UN Decolonisation Committee, that Argentina has found some support for its claim there. But in today's world we seriously question the relevance of the Decolonisation Committee. There are few remaining overseas territories, and all the British ones, including the Falkland Islands, have no wish whatsoever to sever the constitutional link with the mother country.

Second, contrary to Mr Pfirter's assertion, it was a British seafarer, Captain John Strong, who made the first recorded landing on the Falklands in 1690, and British sovereignty was claimed in 1765, not 1832. Even then, there was no settled population in the Islands.

Third, many of the present inhabitants of the Falkland Islands are the descendants of the first

settlers, sixth- and seventh-generation Islanders whose families have lived here longer than many Argentines, including President Menem's family, have lived in their country.

We just wish that Argentina would stop pursuing a claim which we at least regard as ill-founded and anachronistic. The best way for Argentina to respect our way of life – as Mr Pfirter says they wish to do – is let us get on with it free of the threat of colonisation – for that is what it would be – by Argentina.

COUNCILLOR JAN CHEEK
Falkland Islands Government
Stanley, Falkland Islands

Plea for design

Sir: I applaud the desire of Marco Goldschmidt, the new president of the Royal Institute of British Architects, to convince us all of the importance of good design ("A fresh facade for British architecture", 22 March). I fear, however, that his words echo those of former presidents over the past decade.

The British public, more than their continental counterparts, are conservative to a degree in their taste for design and architecture. This is largely due to ignorance and the "I know what I like" syndrome. Until we start to teach good contemporary design in schools from an early age this will be an ongoing problem. When I was a member of the RIBA council over 20 years ago my main object was to achieve this goal.

It is no good for the Government to set up advisory bodies unless the public at large understands what good design is all about. I am constantly saddened by the young couple, he with his Lotus car and Gucci shoes, she with her Versace dress, who only want to live in a thatched half-timbered cottage with leaded windows and low beams to bang your head on (provided they have all the latest gadgets inside and a streamlined kitchen).

ROBIN BUTTERELL
Chester

IN BRIEF

In reality, it is paving the way for an eventual Greater Albania. Why not also restore the Krajina Serbs' former constitutional status as one of Croatia's two historical nations? Better still, ensure their right of return to their ancestral lands.

YUGO KOVACH
Twickenham, Middlesex

Sir: My reason for growing a beard (Terence Blacker, Comment, 22 March) is simple: to avoid the time-wasting tedium of shaving each morning. Over the past thirty years those odd minutes saved from the razor have added up to a considerable number of extra hours in bed asleep – and sleep is, of course, the greatest pleasure that life affords.

MARTIN COTTON
London W4

Triumph of tosh

Sir: Howard Jacobson is right (Review, 23 March). *Shakespeare in Love* is tosh, and I loved it. It was such good tosh. Indeed it takes tosh to new heights, something Shakespeare did in his day with *A Midsummer Night's Dream*, for example. Furthermore, it makes Shakespeare accessible to a lot of people who wouldn't otherwise read him. I went to see the film with an Austrian friend who has a degree in English and had always steered clear of Shakespeare. After seeing the film, she went away determined to try reading one of his plays.

As for the Christopher Marlowe joke, this got a real belly laugh in the cinema, something Shakespeare would have been proud to have caused.

Congratulations to all those involved in the film. You deserved your Oscars. Thank God Shakespeare doesn't only belong to the dry and dull purists.

MARY ZACAROLI
Oxford

Sir: The news of the success of British films in the Oscars is most encouraging and the recipients of these awards deserve our warmest congratulations.

That does not mean, however, that we should be complacent about the future of the British film industry. On the contrary, when *Shakespeare in Love* is rewarded by seven Oscars, recognising talents such as those of Tom Stoppard and Dame Judi Dench, it is distressing to note that the film is financed by America (good luck to them for spotting the commercial opportunities) and that the profits will go back to the US.

Until we begin to address the many structural problems which our industry faces – the lack of integration as compared to the US – we will not begin to achieve the consistent level of success which our creative talents are worthy of.

TOM CLARKE MP
(Coatbridge and Chryston, Lab)
House of Commons

The writer was Minister for Film and Tourism, 1997-98

Sir: The British media consistently misinform readers as to the nature of the US "R" (Restricted) movie rating. It is not, as you stated in connection with the film *Eyes Wide Shut* ("Kubrick's final legacy", 12 March), an "adults only" classification, and the "restriction" such as it is, merely requires that persons under the age of 17 (and that can be any age below 17), must be accompanied by a person over the age of 17.

The US "adults only" classification (the equivalent to our "18") is "NC-17", which is awarded to very, very few films indeed, and films so classified may not be seen by persons under the age of 17 without studio production or even get classified "NC-17" as it is considered "bad box-office".

People in Britain fail to realise how incredibly mild the US film rating system is compared with here, and American children, if they have a mind to do so, can probably get to see almost all those films which in Britain are passed only for over-18s. That is something to reflect upon.

DAVE GODIN
Sheffield

Steamy

Sir: My Finnish friends must be bemused by the headline "Chief constable: MP was in sauna" (17 March). Sensible fellow, I imagine them thinking. Curiously, there is no mention of a sauna in the article itself, but rather of a "Thai massage parlour".

I don't know what the Thais make of this; but the Finns find it hard to comprehend the sleazy connotations in Britain of their great national institution. And they regard as quite extraordinary the fact that advertisements for domestic saunas invariably depict families prudishly sitting around wearing towels.

NIGEL GREENWOOD
London N22

Persistent rumours of a civilisation beyond Berkshire

YESTERDAY I made the strange claim that interesting things happened outside London which London knew nothing of. I hope nobody took this to be a reference to fox-hunting. Fox-hunting is indeed interesting and rural, but Londoners are very well aware of the fact that it happens. Indeed, some Londoners, impressed by the billions of people who come on Countryside Marches to the capital, may be under the impression that nothing else happens in the countryside except fox-hunting.

Well, I moved from Notting Hill to west Wiltshire 12 years ago and I have seen no fox-hunting yet. Plenty of foxes, but no hunting. What I was thinking of, when I referred to interesting things happening outside the capital, was something like Bath's Natural

Theatre Company. The Naturals, as they are known locally, have developed some highly sophisticated street theatre techniques, for which they have received awards in places as far apart as Japan and South America.

I'm not talking about juggling and fire-eating here. I'm talking about real street theatre, which people in London may not be aware of. I certainly wasn't till I encountered the Naturals.

Once asked one of the stalwarts of the group, Brian Popay, if they took the same acts all over the place.

"Well, there are certain acts which work everywhere," he said. "The nannies are always good, and the pink suitcases, and the coneheads tend not to fail." (Don't ask me to explain.)

"But the best thing to do is to devise something peculiarly apt to the particular event we have been invited to adorn. For instance, we were once hired to provide entertainment at the Glastonbury Festival. Now, a rock festival is a place where so many things go on – sex, drugs, mud – that you'd think it would be hard to surprise or shock anyone there. But then it occurred to us that there is always one predictable well-behaved element at a rock festival: the police. So some of us dressed up as members of the police and, well, misbehaved.

"One 'policeman' and 'policewoman', I remember, walked round hand in hand for hours. You should have seen the looks of disbelief of the faces of the bearded music-lovers, especially when the police couple would occasionally disap-



MILES KINGSTON

I moved from Notting Hill to west Wiltshire 12 years ago and I have seen no fox-hunting yet

pear behind tents for a quick snog, which tended to freak out the rock fans a bit."

The Naturals also do wonderful stage shows, with alluring names like *Henry VIII: Diary of a Serial Killer* and have done several burlesque shows based on the character of the composer Scarlatti.

Why Scarlatti? Hard to explain. Even harder to explain why these shows are very popular in Germany, where the Naturals often go on tour – they have just come back from doing a season of *Scarlatti's Revenge* (in English) in Hamburg at the little old St Pauli Theatre.

The point of all this is not to puff Bath as a happening place – actually, Bath can be guilty of the most deadening inertia – but to point out that things like a Bath-Hamburg liaison can happen without London being involved or even aware of it.

Another example. Bath has an

annual boules tournament in Queen Square, and every time I refer to it glowingly in print I tend to get letters saying: "If you think the Bath boules tournament is great, you should come to the one at Sherston in North Wilt. That's a real boules event." This was confirmed to me recently by a tall young man from Sherston who works in our local Wiltshire wine shop and who takes the game of pétanque very seriously.

How seriously I didn't realise till last month when he vanished for a fortnight, having gone with his team to take part in the Winter French Pétanque Championships at Millau.

"Got, through to the fourth round," he said, on his return. "That's at least halfway to the final. So we did quite well. Unfor-

tunately, we were beaten by some not terribly good players from Marseille..."

It turns out that he makes these trips across the Channel quite often, dropping into selected pétanque tournaments and doing well enough to come back with a good bit of prize money. If you ask me, I think it's a highly enterprising alternative to fox-hunting, and the interesting thing is that it couldn't happen were there not a well embedded boules culture in this part of the West Country, with many a piste behind many a pub.

It might make a good story in one of the London papers. And pigs might fly.

Tomorrow: Who should be the next mayor of London? The debate continues to rage in the West Country.

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The European public should elect their next President

FOR ALL the Prime Minister's evident enjoyment of throwing himself into the European fray, he looks like a good horse-trader rather than a visionary. He is doing an effective job of putting himself in the middle of the action, using all the skills of media management that have served him so well in Britain. Taking full advantage of the Kohl-shaped hole in the heart of Europe, and the relative weakness of the new German government, Tony Blair has used his energy and freshness to take up a lot of space. Of all the European Union leaders, he gets the most media coverage in other countries.

His real leverage, however, is limited. Although he was quick to call for Jacques Santer to go the moment the report detailing corruption, nepotism and incompetence was published, he was careful not to be too specific in the reforms he demanded. He did insist that "we cannot have the next president appointed in the same way as the last". It sounded like a rallying call to end the system of horse-trading between the leaders of member states. But all he meant was that he and his fellow leaders should appoint the new president of the European Commission "on merit" and not, as Mr Santer was, as the candidate who caused least offence.

Mr Blair was pretty fast on to the Romano Prodi bandwagon, too - fast enough to make it look as if he had got the former Italian prime minister's wheels rolling in the first place, whereas in fact he might have preferred Wim Kok, the Dutch Prime Minister. Mr Prodi is a strong candidate, a leftist technocrat and "third way" reformer like Mr Blair. But the president of the European Commission should not be appointed by the same process as before. The Brussels bureaucracy needs an injection of direct democratic accountability, and the best place to start would be the top. At the very least, the European Parliament should hold US Congressional-style hearings to approve the appointment, as Mr Blair proposed when in opposition. Now he will not even go that far, and yet he should be going much further. Why not have a European-wide election for the Commission president, at the same time as the European Parliament elections this summer?

Why not? We know why Mr Blair and his partners meeting in Berlin this week do not want it: the danger of increasing the democratic legitimacy of the Commission is that it makes it more powerful - a dilemma known as the Skinner Paradox, after the Eurosceptic Labour MP for Bolton. To be sure, this raises all sorts of further questions about the constitution of Europe, to what extent it should follow the US model, the Westminster one or models yet undreamt of. But these are precisely the questions that should be debated in Berlin. This was supposed to be the summit that made the definitive preparations for the



expansion of the EU, to include Poland, the Czech Republic and the others camping on the steps.

The clear-out of the Commission offers a wonderful chance to rewrite the EU's constitution to make that expansion workable, and more democratic than the existing Union. Mr Blair told the Commons last week, "I am hesitant about trying to draw up a new constitution for the whole of Europe." But this is a question of leadership, and if the inert, paper-shuffling culture of Brussels cannot be bust open by a crisis like this, then its dead hand will continue to hold back the European ideal.

Mr Blair is up to his usual game of sounding radical in order to try to shift the boundaries of the possible, and certainly there is nothing to be gained by floating crackpot schemes that will only offend our European partners. But a vision of a wider Europe on the Blairite model of a stronger, democratically accountable centre accompanied by the real devolution of power would give the horse-trading in Berlin some sense of purpose.

This war, at least, is silly and unnecessary

WAR HAS always been a confusing affair, and trade wars are even more baffling. Precisely why the United States and Europe are about to fight a war in which Terry's Chocolate Oranges, Roquefort cheeses and cashmere sweaters are to serve as ammunition cannot be immediately apparent to the average consumer of these products on either side of the Atlantic. But, as with a real war, it is important to understand what this conflict is all about. It is, in truth, about an important principle, one that is worth fighting for.

The Americans want to sell us beef. Some of the beef has been raised using a bovine growth hormone. The Americans insist that it is perfectly safe. The British Government agrees with them. But the European Union doesn't, and has banned it. The body responsible for sorting out

spats like this, the World Trade Organisation, has ruled in favour of the US, and said that the embargo should be lifted by 13 May.

While the EU waits for the results of its tests on the safety of the hormone, it wants a label clearly stating that the beef has been reared using it. The US will only order a label saying the meat has been approved by the US Department of Agriculture.

This seems an extraordinarily narrow territory for dispute. But the EU is right to be digging in. The ban should be lifted, but only if Europe's shoppers are told precisely what it is that they are being offered. The wording of the label is thus important. We are entitled to be given information about whether a product has been irradiated, injected with growth hormones or had its genes manipulated. Clear and comprehensive labelling is also the best way to ensure that the food industry avoids the devastating blights that arise when the fragile trust between farmer and shopper is broken.

Kosovo is part of Europe - that is why we must fight to save it

SLOBODAN MILOSEVIC has turned into a great dictator with all the trademarks of one: madness, cruelty and longevity. He began his rise to power by exploiting Serbia's sentiments about the sanctity of Kosovo and made a stepping-stone of personal ambition and dreams of territorial aggrandisement. When he ended Kosovo's autonomy in 1989, the Soviet Union was still in existence and the shrill ravings of a Yugoslav nationalist seemed to all but the most prescient an insubstantial threat.

Even when the violence began in earnest in Croatia in 1991, there was something faintly absurd about Serbia's leader. Early that year, I attended a dinner in Belgrade given by the government. Mr Milosevic looked and talked like a copy-book Eastern European Marxist-Leninist lecturer - socially insecure, ham-fisted but stubbornly bullish about his beliefs under pressure. When he tired of too much pre-prandial questioning about his intentions, he announced sharply: "Let's attack the soup." I remember that this hawkishness, applied to the dinner, seemed rather comical. Not so funny now, after Vukovar, Srebrenica and Rakac.

Milosevic has outlasted Mikhail Gorbachev, George Bush, Margaret Thatcher, Helmut Kohl and John Major. The end game falls to Clinton and Blair. When people complain that the aim of the NATO mission against Serbia is unclear, they are wrong. There is one clear goal, without which peace is impossible: to create a situation in which Milosevic falls from power and the distorted, rapacious

Serbia he has created is humiliated. Unless Milosevic rouses himself from the nightmare of his own making in the next few days, this is the course on which NATO will embark: the most serious engagement in Europe since the Second World War.

There is no institutional or legal case for military action against a sovereign power that has committed atrocities on its own territory. We must rely on the more subjective assessments of realpolitik and on the ethical imperative for reasons to act. Yesterday in his Commons statement, Tony Blair entwined the two in a proposition that can be summarised as: "Not acting is more dangerous than acting; and, anyway, it is right to intervene because of the suffering imposed by Milosevic on Kosovo."

This is sound. But the mission is going to be a long and bloody affair, its price and its outcome uncertain. The Prime Minister will need to work harder in the weeks and months ahead to convince people that Britain's involvement is justified. When he contemplated the post of Prime Minister, it is unlikely that the consensus Mr Blair imagined himself as a war leader. But high office is unpredictable and this is what he may well be called upon to become.

NATO's role in Kosovo will be an even more difficult war to sell than the last Gulf skirmish - and that was far from being Mr Blair's most convincing piece of salesmanship. Bombing the Serbs on behalf of Kosovo is as near as damn it to a recognition of Kosovan independence. It may well be that in order to seal the strategic gains

may well not be able to forge peace in Kosovo.

But it is the Prime Minister who will take the strain and he needs to prepare his rhetorical as well as his political battle. At such times, even a nation cynical about politicians listens closely to what its leader says. Given his strong commitment to European institutions, Mr Blair was a surprisingly reluctant European when it came to laying out the single binding reason why we are obliged to take in the risks of a long conflict in Kosovo: it is a part of Europe. The alternative to Western intervention is to accept that the Western ideals of basic human rights and freedom from persecution by the state do not apply to Yugoslavia. I do not believe that Europe should tolerate such ethical exclusion zones.

A favourite argument of opponents of bombing is that since the West is neither able nor willing to use force to tackle injustice everywhere in the world, it should not do so in Yugoslavia. But Europe is the point: the Continent's future is our future. If we are not to fight a brutal aggressor after a delay similar to that which allowed the carnage of Bosnia, where would we fight?

One of the baleful consequences of the dominance of the single currency in Western Europe's priorities has been the downgrading of a wider sense of what it means to be a European, as bestowing some basic values and duties of care for one another. Into this vacuum floods the kind of petty selfishness manifested by the renowned Second World War historian

QUOTE OF THE DAY
"We have no alternative but to act and act we will, unless Milosevic even now chooses the path of peace."
Tony Blair
Prime Minister

THOUGHT FOR THE DAY
"The highest possible stage in moral culture is when we recognise that we ought to control our moral thoughts"
Charles Darwin
British scientist

LAST MARCH, the epic *Titanic* crushed its competition at the Academy Awards. This year, the biggest winner was *Shakespeare in Love*, a modest-budget romantic comedy set in Elizabethan England. Stripped to their essence, both films relied on a story as tried and true as *Romeo and Juliet*: an ultimately tear-eyed tale of star-crossed paramours. Even though neither story ends happily, their love seems undying in the hearts of viewers, good

old-fashioned romance conquers all. *Titanic* may have been a much bigger hit at the box office, but *Shakespeare in Love* shows that a splendid script is the most special effect of all.
Bergen Record

IN A field that included two movies set in World War II, Benigni's tragic-comedy, and two movies set in the Elizabethan era, a movie about Shakespeare walked away with best picture. If the Bard had been on hand, he might have wondered how a movie heavily laced with his own words didn't also earn him a best writing award.
Corpus Christi Caller Times

SUCH AWARDS are meaningless in the large scale of events that shape our world. One would be hard-pressed to name three of the last five "best picture" winners. Yet the

slight of *Saving Private Ryan* was disappointing.

The Oscars proved true the words of Edward Bulwer-Lytton, a British author and contemporary of Charles Dickens: "The pen is mightier than the sword." Or at least the pen of a make-believe Shakespeare is mightier than the make-believe artillery, but true heroism, of *Private Ryan*.

The Freelance Star

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Harry Callahan

IN 1961, Harry Callahan showed his photographs in a one-man exhibition at the Art Institute of Chicago. At 38, he was head of photography at the institute, and was just beginning his lengthy career as an art photographer and teacher: a career which would change the face of American photography. Alongside Minor White and Aaron Siskind, he established a *gravitas* around photography which secured it as an art form in the United States.

Unlike the British photographers who struggled in the post-war years to elevate photography from its lowly position in the museum world, Callahan and his photographic colleagues had no ideological or institutional battles to fight. The photography department at the prestigious Museum of Modern Art (MOMA) in New York had been established in the late 1930s, and under successive curators had proved to be a vital outlet for the new photography. Callahan's first exhibition at MOMA was staged in 1960, positioning him as one of the foremost photographic innovators in the US, and assuring him of a large and influential audience for his work.

But Callahan, like so many of his contemporaries in photography, did not emerge from America's elite. Born in Detroit in 1912 into a farming family, Callahan studied engineering at Michigan State University but soon became disenchanted with his subject. He took an administrative job at Chrysler Motors in Detroit, but his burgeoning interest in photography increased, and in 1941, he signed on for a workshop with the master landscape photographer Ansel Adams.

For Callahan, this was the turning point. Ansel Adams used photography not to record or to document, but to express an intense spirituality, a deep communion with the natural world. For the 29-year-old clerk from Chrysler, Adams's workshop was a revelation. Abandoning his Rolleiflex camera, Callahan began to use a large format view camera, which by its depth of detail and definition, took photography back to its early 19th-century roots and demanded precision, concentration and a pre-formed idea of what the photograph would be.

Another revelation came in 1936, when Callahan met and married Eleanor Knapp. What began as a blind date became one of the most important partnerships in photographic history. Eleanor became Callahan's model, and he photographed her throughout the long years of their marriage. The studies which he made, often nude portraits, were both immensely tender and deeply realistic, nothing was altered, no blemish removed by the retoucher's knife. And though Callahan was a formalist, preoccupied with light and structure within his photographs, these images can also

'Photography is an adventure just as life is an adventure. A photographer must understand his relationship to life'

be read as a portrait of a marriage, two young people meeting each other's gaze through the camera's lens, exulting in the eroticism of their partnership.

By the mid-Fifties, Callahan's reputation as a photographer and teacher was assured. In 1957, he showed with Aaron Siskind at the Centre Culturel Américain in Paris, and it was this joint exhibition which exposed his work to British audiences, as the show toured to Algiers and London. Another major Fifties show was a group exhibition with Minor White and Walter Rosenblum, held at the Museum of Art at Cornell University, but not until 1962 did Callahan achieve real recognition in the world of American photography, with a 1962 exhibition with the pioneering documentarist Robert Frank at the Museum of Modern Art in New York.



Eleanor, Chicago: photograph of his wife by Callahan, 1949

The 1960s were heady days in American photography. New on the scene were iconoclasts like Diane Arbus and Gary Winogrand, whose incisive photographs of Americans at home showed a society dysfunctional and in distress. Callahan's view of modern life was altogether more gentle and confident, as he continued to portray the idyll of his relationship with Eleanor. "Photography is an adventure just as life is an adventure," Callahan once remarked. "If man wishes to express himself photographically, he must understand, surely to a certain extent, his relationship to life." Callahan's relationship to life, if his photographs can be taken as evidence, was one of calm and diligence, as he pursued both the photographic idea and the domestic Utopia.

Like many master photographers of his time, Callahan was a devoted

and inspired teacher. From the Institute of Design in Chicago (where he worked with Aaron Siskind) he went on to teach for many years at the Rhode Island School of Design in Providence. He taught his students (who included future luminaries such as Linda Connor, Emmett Gowin and Kenneth Josephson) that the fine print dignified the photographer's vision. A craftsman as much as an artist, Callahan revered the process of photography and photographic printing, providing a standard for American black-and-white work which continues to this day.

Callahan's photographs were last seen in London in 1985 in a perhaps mistimed exhibition, "American Images", at the Barbican Art Gallery. Reactions to the exhibition ranged from mixed to hostile. The deeply

toned fine prints of Callahan, Adams, White et al perhaps seemed an anachronism as Britain sped headlong through the Thatcher years. What seemed to be an untenably male and somewhat mystical view of the world was at odds with the drive to democratise photography, to use bright colour and to document the banal and the everyday. Callahan's photography was seen as privileged, academic and over-concerned with craftsmanship.

Over a decade later, it may be time to look again, to take a different reading of this remarkable body of work, to reflect on its resonance and its place in photographic history.

VAL WILLIAMS

Harry Morey Callahan, photographer: born Detroit, Michigan 22 October 1912; married 1936 Eleanor Knapp (one daughter); died Atlanta, Georgia 15 March 1999.

Milosz Magin

DEATH SOMETIMES has an awful sense of timing: the heart attack that felled the Polish-French composer and pianist Milosz Magin, who was visiting Tahiti to give a recital, did so only the week before the seventh Milosz Magin International Piano Competition, a biennial event he founded in 1985.

That impulse was typical of Magin: he thought that the rash of piano competitions spreading over the face of music was generating an unhealthy obsession with technique, and so he simply founded his own event, with the contrasting aim of emphasising musicality – technique mattered, of course (and Magin's own technique was breathtaking), but it was second in importance to a natural sympathy with the music. And musicality was as manifest in his own playing as it is in the healthy corpus of music he has left behind.

Magin was born in Lodz in Poland in 1929. At the Warsaw Conservatory he studied piano, under Margherita Trombini-Kasuro and took composition lessons from Jan Maklakiewicz and Kazimierz Sikorski, teacher of many of the leaders of the next generation of Polish composers – Grazyna Bacewicz, Andrzej Panufnik and Kazimierz Serocki were also Sikorski students. Magin graduated in 1957, with prizes in both piano and composition.

In spite of his local celebrity, Magin resented the restrictions placed on him by the Communists – most of his concertising was restricted to Poland and Russia. In the year of his graduation he entered the Vienna de Mota piano competition in Lisbon, where he carried off the laurels (as also from the Chopin Competition in Warsaw and the Concours Long-Thibaud in Paris).

That gave him the chance he was waiting for: his wife, Idalia Skonieczna, also a pianist, then likewise applied for permission to travel abroad. The authorities never normally let the two halves of a family out at the same time, but fortunately they failed to put two and two together, and the Magins, together with their infant daughter, were reunited in liberty (it was to be 17 years before they could visit Poland again).

After a year in Portugal, and sojourns with relatives in England and Germany, in 1960 they settled in Paris – it seemed a good base from which Magin could develop his career as a virtuoso of international standing.

But in 1963, driving home after a concert, he was severely injured in a car crash, fate adding a particularly cruel twist: his left wrist was broken and all feeling lost in one of his fingers. Nothing daunted – perhaps because he had once met a gypsy in Poland who told him he would recover from a serious accident – he fought his way back to fitness, encouraged by the mime Marcel Marceau. By 1968 Magin had so much regained his previous form that he was able to record, for Decca, the complete works of Chopin – a set that received considerable critical acclaim at the time and is now scheduled for reissue on CD. He was also a conductor, and competent performer on both violin and cello.

Magin's imposing, slightly formal exterior hid a ready sense of humour and a selfless concern for other musicians. He was especially preoccupied with the well-being – musical and personal – of younger players; to see the parade of eager, under-sized performers from Eastern Europe taking the stage at the Magin competitions was a heart-warming experience. Without the support he galvanised, these youngsters – some of them only eight or nine years old – would never have been able to afford the trip to Paris, and they plainly loved the experience.

Hardly surprisingly, he was a solicitous teacher. The French pianist Isabelle Oehmichen, for whom Magin wrote his Third Sonata, who studied with him for eight years and who has played more of his music than anyone else, describes his teaching thus:

You would play a work, right to the end, while he listened attentively. Then he paid you some extravagant compliments before the traditional little phrase, coloured with a Polish accent, "There are just one or two small things..." – followed by an hour of valuable advice! He never imposed his own view, respecting the view of the student even as he gave generous counsel on style, particularly in the music of Chopin.

Magin's music deserves much wider exposure than it has so far received. It is generally tonal, though freely admitting enough dissonance to give much of his output an intriguing, biting tang. But he was also capable of considerable dignity and depth, and a world that has taken the Gorecki Third Symphony to its heart should also respond to Magin's simple but moving *Shabbat Mater*, for strings and timpani (a favourite Magin combination). His *Musique des Morts* of 1965 was a direct result of the car accident of two years earlier: he "wanted to recreate the musical visions I experienced during (my) ambulance ride to hospital" when he was "in an intermediate state between life and death" (his throat had been ripped open in the crash).

Not surprisingly, the piano features prominently in his catalogue: there are five works for piano and orchestra, including three concertos, and a healthy number of solo piano pieces, not least four substantial sonatas (No 4 written only last year) and a number of suites: the Polish *Triptych* of 1967 – three dance movements, the last of which is a ferociously exciting "Oberek" – ought to be a part of the standard repertoire.

There are four other concertos, two for violin and one each for clarinet and cello, and further orchestral works include a Polish *Rhapsody* (1963), a ballet, *Bazyliszek* (1964), two symphonies, both scored for strings only (1969 and 1988), and an *Adagio*, again for strings and timpani.

Very little of this output is available on CD. There are two Polish Naxos discs, one recorded by Isabelle Oehmichen and the other by Magin himself, and the French



Polish heritage: Magin drawn two weeks before his death by his daughter Margot

label Marcal plans to record Oehmichen in the Second Concerto and Third Sonata.

Almost all of Magin's music underlines the importance to him of his Polish heritage. Exiled in Paris, Magin missed his home country no less than did Chopin in exactly the same position 150 years earlier, and the memory animates the music of both men. It is fitting, then, that Magin will be buried next to Chopin's tomb in Père Lachaise. Magin should have been one of the big international virtuosos; with luck, his music will carry his name around the world for him.

MARTIN ANDERSON

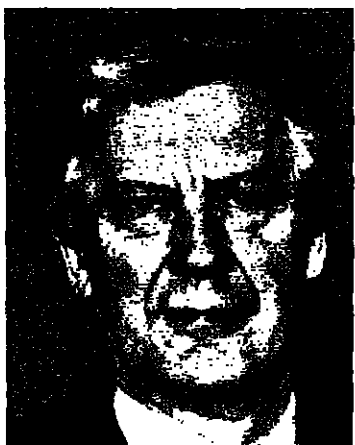
Milosz Magin, composer and pianist: born Lodz, Poland 6 July 1929; married 1952 Idalia Skonieczna (two daughters); died Bora-Bora, Tahiti 4 March 1999.

Sir Michael Caine

IN AN unlikely liaison, the three worlds of Michael Caine were never far apart. Agro-business (a corporate buzzword he hated), the continent of Africa in all its manifestations, and the Booker Prize for Fiction were his life.

Even in retirement from 1993 his tall, gangling figure, a cigarette rarely far from lips or fingers, was a familiar landmark at the Booker Prize's annual dinner at Guildhall in London. For almost two decades, while at the helm of the prize's progenitor, Booker plc, he had presided over its development into the world's foremost fiction prize. At each year's dinner Caine would rise and make a speech. Some chairmen, with a stammer as bad as Caine's, would have asked a fellow director to deputise. Caine, however, persevered year after year, to the enormous admiration of his audience.

In 1969 founding a literary prize seemed an unlikely venture for a public company that as a colonial business at one time accounted for around 35 per cent of the gross domestic product of what was British Guiana (now Guyana). But in the early 1960s the company, in the process of re-inventing itself as a UK-based conglomerate in



Caine: benevolent autocrat of the Booker Prize

food, engineering and the marketing of rum, took advantage of a loophole in UK tax law also to invest in authors' copyrights, beginning with Ian Fleming (then at the height of his fame as the creator of James Bond) and at one time boasting a portfolio that included Harold Pinter, Dennis Wheatley, John Mortimer, George Bernard Shaw and Agatha Christie.

Although after Bedales and Oxford, where he read Modern History

at Lincoln College, and a post-graduate year at George Washington University in the United States, Michael Caine chose a business career at Booker, at heart he was an intellectual. A Booker director from 1964, 12 years after he joined, he totally approved of the notion that had been put to the Booker board, that Britain deserved a literary prize as prestigious and as influential as the French Prix Goncourt. With Booker making a substantial return from its authors' division, might it not return a little of its profit by way of sponsorship?

If he was disappointed that in its early years the "Booker" failed to take off in public perception he never lost heart. Some ugly publicity in 1972 when that year's winner, John Berger, not only accused Booker of exploiting colonial labour in the West Indies, but chose to give half his £5,000 prize money to the Black Panther movement, did not prevent Caine (by now Booker's chief executive) from renewing the company's sponsorship after its initial seven years, even though there were fellow Booker directors who thought the investment was not doing the firm any good.

Caine's faith was soon to be fully

justified. In 1980 the Booker at last made front-page news when it was portrayed as a battle royal between two literary heavyweights on the shortlist, William Golding and Anthony Burgess. After that there was no looking back. Caine watched with pride as the prize finally achieved its original aim of recognising artistic achievement while encouraging wider readership of the best in literary fiction.

The prize also gained Booker a level of corporate publicity that rapidly became the envy of its rivals, although Caine never encouraged Booker to cash in on the column inches. Some managers would have used such heightened awareness to develop not just the company's businesses, but in particular to market the Booker name. Caine preferred to see sponsorship fulfilling the vision of his first boss, Jock Campbell, that corporations have wider responsibilities than the pursuit alone of profit.

In 1992, with the support of the British Council, Caine gave the Booker imprimatur to a Russian novel prize. Commercially he could justify this expansion by citing Booker's business interests in the country, but he also confessed a lifelong

admiration for Dostoevsky, Pushkin and Gogol. One felt that he hoped that a Russian Booker might find a late-20th-century equivalent.

On his retirement Caine only handed over the chairmanship of the prize management committee with some reluctance. It was a fiefdom that he had ruled as a benevolent autocrat. At each meeting he would listen to the views of committee members on how the prize should be conducted, but invariably his own judgements prevailed. And with the standing of the Booker Prize as high today as it has ever been, who's to deny that more often than not he got it right.

ION TREWIN

Michael Harris Caine, businessman: born Hong Kong 17 June 1927; director, Booker Bros, McCormell & Co (later Booker plc) 1964-93; KI 1988; President, Royal African Society 1986-99; married 1952 Janice Mercer (one son, one daughter; marriage dissolved 1987); 1987 Emma Nicholson (created 1997 Baroness Nicholson of Winterbourne); died London 20 March 1999.

Michael St Clair

AN IMPROBABLE, peculiarly small number of art dealers have also worked as practising artists, yet Michael St Clair was remarkable in more ways than just this. He had seriously pursued painting for some 25 years before becoming a dealer but he was also a highly decorated war hero and single-handed saviour of several 20th-century American artistic careers.

He was perhaps best known for reviving and restoring the reputation of Marsden Hartley, turning this painter from an obscure regional figure into a household name, but St Clair's gentlemanly discretion ensured that many other of his achievements went unheralded. Indeed, his companion of more than 50 years, Paul M. Jones, only discovered that St Clair had won the Silver Star and three Bronze Stars for bravery during battle in

Italy in 1943 whilst reading his friend's obituary.

St Clair was a man of few words, perfect formal tailoring and exquisite manners, whose knowledge of the history of this century's American art was outstanding. It was a history he helped to shape. Born in 1913, he grew up in the oilfields of Pennsylvania and Oklahoma and started painting at 18, enrolling in 1934 for classes with Thomas Hart Benton at the Kansas City Art Institute. Another of Benton's pupils was Jackson Pollock, whom St Clair knew, though St Clair was precisely as patrician as Pollock was Bohemian.

St Clair then moved to Manhattan and studied with George Grosz at the Art Students' League, followed by the Colorado Springs Art Centre. He was involved in the WPA (Works Project Administration) in Okla-

homa City where he had his only solo show in 1942. Enlisting with the 328th Fighter Squadron, he saw active service in Europe and northern Africa but returned to New York to continue his career as a painter.

This lasted until 1959 when he came to the Babcock Gallery, which since 1882 has dealt exclusively in American art, an unbroken record for a commercial establishment. Starting as a director, St Clair bought the gallery and the same year took over the Marsden Hartley estate, a truckload of paintings brought down from rural Maine. He immediately put on a show, the first of 11 exhibitions in the next 20 years that transformed the appreciation of Hartley in every sense, financially as well as critically.

St Clair placed Hartley works with 70 museums, not to mention the retrospective at the Whitney Museum

of American Art in New York in 1978, the first major museum show for Hartley in 30 years. As John Driscoll, who bought the Babcock Gallery in 1988, puts it, "Nobody in this century did more to keep Hartley's name in front of the public, and that alone is a major accomplishment. Hartley was fortunate to have someone like Michael come along."

As well as Hartley, St Clair also built a following for such relatively neglected painters as Childe Hassam, Ambrose Webster, George Innes and Alfred Maurer, who was known as "the first modern American artist" and whose bizarre warfare with his father, a traditionalist artist, ended with his father's death at the age of 100 and Maurer's subsequent suicide when he realised he could not live without so bitter an enemy. St Clair was also an acknowledged expert on the ever-



St Clair: gentleman dealer

mysterious Albert Pinkham Ryder, having gathered incomparable records about his scarce works.

But, during nearly 30 years of running the Babcock Gallery, St Clair

also showed contemporary artists, especially if their names began with "B", such as Bessie Boris, Ben Ben and Byron Burford, who represented America at the Venice Biennale in 1968. He also exhibited the work of the eccentric railroad heir Jerome Hill and the constructivist modernist Stephen Edlich. When he sold the gallery, St Clair remained very much part of its operations and aesthetic, as its active *eminent grise*. Last year he established the Babcock Galleries Endowed Fund for Art History at Pennsylvania State University.

As a salesman St Clair managed to be elegantly taciturn and as rigorous as any academic, refusing to lower or debate his stated price, like an old-fashioned gentleman dealer. Equally quaint, most of what he sold also belonged to him personally, works he would take home to live

with, although he did not collect. Greta Garbo used to come into the gallery to enjoy his erudite explanations, and he was mortified when one day she suddenly fell to her knees to examine paintings he had propped against the wall, before he had had time to hang them or stop her.

As St Clair was expert at tracking down the scattered works of neglected artists, perhaps the only remaining question is where his own oeuvre, a quarter of a century's worth of paintings, might be found today. In his gracious apartment on East 74th Street, only one very small landscape signed Michael St Clair was to be seen.

ADRIAN DANNATT

Michael St Clair, art dealer and artist: born Bradford, Pennsylvania 28 May 1912; died New York 22 February 1999.

150/20/150

You ask the questions

(Such as: drugs tsar Keith Hellawell, what would you do if you discovered your children were smoking dope?)

Keith Hellawell, 56, started his working life as a coal miner before joining Huddersfield Borough Police. During his 36-year career in the police service he was awarded the Queen's Police Medal for Distinguished Service in 1990, rising through the ranks to become Chief Constable of West Yorkshire Police in 1993. In January 1998 he took up his current position as UK Anti-drugs Co-ordinator, charged with co-ordinating an anti-drugs strategy across 110 government drug-action teams.

Do you believe that prostitution is linked to drugs?
Unfortunately, yes, many young women are prostituting themselves to feed their drug habit, some from their very early teens. Street agencies estimate that more than half of the "working women" have a serious drug misuse problem and that their work and drug misuse are inextricably linked. I have spoken out against describing the most vulnerable as prostitutes, as I regard them as victims and not offenders.

If you believe that locking drug dealers up is not a solution, how do you propose to punish them?
I do believe that drug dealers ought to be locked up, many of them for a considerable period of time. However, many people are dealing drugs to feed their own drug habit, and I consider that where their criminality is caused by addiction they must be treated as well if we are to reduce long-term criminality. Treatment and enforcement, not treatment or enforcement is where I stand.

Do you have children? What would you do if you discovered they were taking drugs?
Three children, six grandchildren. Fortunately none have been involved, partly because we have discussed the issue with them from a very young age. If they had, however, I would have discussed the subject with them as dispassionately as I could, and were they addicted, seek help from our GP or a specialist drug service such as the National Drugs Helpline (0800 776600).

Do you despise drug users and dealers?
If not, what do you feel towards them? I have a repugnance for dealers who are happy to benefit from the misery of others. Many are extremely cruel people who subject their clients to violence. Addicts often sell drugs themselves in order to pay for their habits and avoid violence at the hands of their suppliers. There are many categories of users. There are those with



a genuine illness who use drugs to alleviate their pain. The Government has licensed research into the medicinal properties of cannabis to establish the validity of using it to help in the relief of pain. I have, however, little time for those users who believe it is their right to flout the law by using drugs regardless of the consequences.

How can parents help you to tackle drugs in schools?
Parents have a major part to play; firstly, in the home. I have met parents who have lost children to drugs who feel guilty they did not do more. Others feel inadequate and wish to know more. That is why the Government has published the Parents Guide to Drugs and Alcohol and

has set up a website (<http://www.trashed.co.uk>). Parents also have an important role to play with teachers in schools. The Government's financial support to be directed to drugs education over the next three years highlights the partnership between teachers, parents and youth workers. It is this integrated approach which will make an impact.

If drivers could be tested to see if they were under the influence, would you agree to the legalisation of cannabis? If not, why not?
There are two parts to this question and I cannot really see the link. However, 18 per cent of all drivers killed on our roads have illicit drugs in their body, more than half of them cannabis. Scientific research con-

firms that cannabis can damage people's ability to carry out many types of tasks including driving and using machinery and that is why we are developing better testing devices for the police. Along with other, more long-term health risks associated with the use of cannabis, the risks involved in legislation far outweigh the arguments in its favour.

How do you think your experience as Chief Constable for West Yorkshire can help you to tackle the drug problems of an entire nation?
As Chief Constable I spent much of my time listening to the problems of the community. I saw at first hand the damage drugs caused, whether through deaths, criminality or violence. I represented the police

service nationally on the subject of drugs. I was a member of the Advisory Council on the Misuse of Drugs and helped develop a partnership approach with other agencies with prevention and treatment backgrounds. I advised the Government on many drug issues. Internationally I advised other countries on drugs policies and represented the UK on many occasions. My previous jobs afforded me first-hand experience at all levels.

How did you move from mining into the police force?
I always wanted to be a police officer. When my wife and I decided to marry, I left the pit to join the police as it was a much more secure job, although less well paid, but we were allocated a free police house.

Do you find that your former colleagues are supportive of your current role, or are they jealous?
They are supportive. Many encouraged me to apply for this job as I had represented their views on drugs for a number of years. However, the police service is a competitive profession and I suspect it will not be immune from jealousies, which will undoubtedly include me.

What do you think of Amsterdam's answer to their drug problem?
It's not really an answer. They describe the Drug Cafés as an experiment, one with which they are having problems. Over the counter, take-away purchasers of small quantities of cannabis, particularly for use in other countries, has led the Dutch government to harden its policy. Their policy of tolerating possession for personal use is also being severely stretched by the café owners who hold large amounts. Their suppliers, who are major dealers, use Holland as a base for their international activity with some impunity.

The government believes it is giving out the wrong message to young people about Ecstasy (ie that it is safe and it is not a criminal offence to take the drug). In future, information about the damaging effects of the drug will be handed out if and when pills are tested. Their treatment programmes for heroin users are having a very positive effect in reducing the number of addicts.

Questions submitted by:
Elizabeth Goddard, Norwich
Steve Menary, Kew, London
Sean Linehan, Highgate, London
Colin Muir, Ipswich
Naomi Wilkes, Reigate
Francesca Latham, Northallerton, North Yorkshire

NEXT WEEK

TREVOR McDONALD,
FOLLOWED BY GRIFF
RHYS JONES



SEND questions for Britain's favourite newscaster Trevor McDonald, and for the actor and comedian Griff Rhys Jones, to: You Ask the Questions, Features, The Independent, 1 Canada Square, London E14 5DL (fax 0171-293 2182, or e-mail yourquestions@independent.co.uk), by 12 noon on Friday 26 March

We may not have a nation but at least we have a TV station

Thirty-five million Kurds may not have a country, but they do have a television station. Except that the ITC is closing it down after pressure from Turkey. By Philipp Blom

AT FIRST glance, Hikmet Tabak looks like any other London media executive. Dressed in a dark suit with blue shirt and designer tie, his mobile phone never far from his hand, the 38-year-old director of the Kurdish station MedTV is the very image of the elegant urbanite. "Before we began broadcasting," he says "only smugglers brought news from one Kurdish community to the next. The Kurds were told that they didn't exist, that their culture was worthless. Now they can hear their own language, listen to their own music."

On Sunday, Mr Tabak and his colleagues at the station celebrated the Kurdish new year. MedTV had managed to survive another year despite Turkish opposition, creating a virtual Kurdish nation for its 16 million viewers throughout Europe, the Middle East and North Africa.

But on Monday, Turkish television reported that the channel was due to be closed at 4pm. The Independent Television Commission (ITC) had decided to suspend the station's broadcasting licence for 21 days for breaches of impartiality and incitement to violence following coverage of the capture of Abdullah Öcalan, the leader of the Kurdistan Workers' Party (PKK).

A few days earlier, I had visited the cultural capital of Kurdistan: Danderleu, 20 miles from Brussels. Here, on an industrial estate, are the studios of MedTV, broadcasting via satellite 18 hours daily of Kurdish news, features, music, discussion programmes and religious debates. It is the voice



Some 16 million Kurds are thought to tune in to MedTV regularly. Magali Delporte

of a country that, according to Turkey, does not even exist. The station is run on an annual budget of £10m. The wobbly-looking set for the daily phone-in, *Good Morning Kurdistan*, is very much in Middle Eastern taste, with little porcelain figures in display cases, wallpaper simulated by dabs of paint, rattan furniture, and book-spines painted on to wood. It is a living-room for the thousands who phone in from the Anatolian mountains, Syria, northern Iraq and Europe.

The Kurds are not only one of the oldest cultures; they also, with their 35 million members, make up the largest stateless nation in the world. They trace their roots back to the Medes, an ancient civilisation

which lends MedTV its name. In Turkey, watching the station amounts to an act of rebellion. Satellite dishes are impounded and shot at by the authorities; viewers are threatened with prison. Despite all

The Kurds are the world's largest stateless nation

this, or because of it, MedTV has an almost religious following. Sixteen million people are said to watch the station regularly. Since MedTV went on air in 1995, Turkey has tried to stop

it from broadcasting. The station is dubbed "PKK TV" and is accused of being funded by organised crime, and of supporting terrorism. Its satellite signal has been jammed from a Turkish source and broadcasting deals have been revoked after pressure from Turkey. That country has also lobbied the British Government and the ITC to close the station, which is administratively based in London.

The ITC objected to the screening of interviews with PKK activists, who call on the Kurds to rise against Turkey and declare a state of war. The rebel movement's belligerent hyperbole sits uneasily with Western standards of journalism, especially as

the station did not contrast these calls with other views. In the months leading up to the ITC's decision, the station has been warned and fined for failing to ensure the impartiality of its reporting.

But, says Mr Tabak: "It is almost impossible to present impartial news coverage if Turkish officials refuse invitations to appear on the programmes. Our opponents are working to Middle Eastern rules, but we have to abide by British standards."

For those working at MedTV, journalism is an act of cultural self-assertion which is often bought at a huge price. Everyone has friends and family members who have been threatened or killed.

Mr Tabak, the son of mountain farmers, became involved in demonstrations for Kurdish rights and culture while he was at school. In 1978, then 18, he was arrested as a "trouble-maker" and tortured by the Turkish authorities. He was released 11 years later. The only conviction he received was a three-year sentence for saying in court that he was Kurdish.

When I visited the studios of MedTV, images of corpses and of women in shock and mourning were flickering across multiple screens, accompanied by elegiac music.

"Today is the anniversary of a terrible day," explained one of the journalists working there. "On 16 March 1988, 5,000 Kurds were gassed by Saddam Hussein in south Kurdistan. We have lost so much. But we do have MedTV. We can at least speak our language here."

THE IRRITATIONS OF MODERN LIFE

34. PEDESTRIANS BY STEVE JELBERT

MANY YEARS ago, long before *Crimestwatch* UK warned viewers to be afraid of strangers seeking lifts, a sign stood beside the southbound M5 lane at Taunton which delighted generations of hitchhikers aiming for the legendary flesh-pots of the South-west (and Newquay).

A simple white-on-red rectangle reading "Pedestrians - Look Right!" had been amended over the years with the phrases "Feel Right" and "Outsight".

Dead right, because pedestrians need a bit of living up. Who are these people, presumably capable of using cutlery without wounding themselves, that find the task of, well, walking, beyond them? Anyone who has ever had to hurry through a busy British high street - possibly to collect a vital legal document, or perhaps a human organ for transplant purposes - will be reminded of that cheap Brownian Motion experiment taught in school science lessons, where the random movement of particles is observed.

I have to declare an interest here. As an urban cyclist, sporting a T-shirt that proudly declares "I AIM FOR PEDS", I'm acutely aware of potential hazards - like the git who walked straight into the road, and me, in Balham last year (He got a mouthful, I got concussed). Ten thousand London cabbies could and will tell you that non-commercial traffic is banned from Oxford Street mainly because only highly trained drivers what-have-done-The Knowledge possess the sharp responses necessary



Could you walk a little faster...? TB

to avoid ploughing into Mr and Mrs Merle Moran of Minnesota. Every year, tourists suffer comedy foot-breakage or worse at the wheels of a Routemaster bus, as they forget our quaint habit of driving on the right-hand side of the road, and inexplicably fail to sense a huge red thing bearing down on them.

Presumably US visitors are confused by the very concept of public transport, which not even Princess Di ever stooped to. But great thinkers such as Norman Foster, architect laureate, have been forced to confront the problem. The capital's Jubilee Line extension incorporates platform screens to prevent stupefied walkers wandering on to the tracks with their shopping. That well-known curmudgeon, Chelsea FC's owner Ken Bates, was on to something when he proposed electrified fences to restrain football fans back in the Eighties.

This is an international problem. Genius prankster Joey Skaggs created an organisation of "vigilante sidewalk etiquette enforcers" called WALK RIGHT! in New York in 1984. Their 66-point

programme included regulations such as "Obese people must walk in single file". "All joggers must wear underwear", and "No stopping while walking except when in the shopping lane". Predictably the media, including CNN, fell for it, yet the natives canvassed happily signed a petition in support.

Even the very word has negative connotations. Think of pedestrian books, or movies, records, websites even. A "pedestrian protest" hardly evokes images of happy ramblers seeking roaming rights. No, it brings to mind clueless, shuffling humanity, all creeping along half-heartedly in the same general direction. A muddy Glastonbury Festival, in fact.

Oddly, international guidebooks generally suggest that striding purposefully will enable the streetwise visitor to pass for a local anywhere. Until clothing featuring indicators is perfected, perhaps our only hope is to be surrounded by sightseers trying to fit in.

Of course, if you need to ask for directions you'll be stuck, but that's another irritation entirely.

The first of these is the fact that the
 Government has been unable to secure
 the necessary funds to carry out its
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 that the Government has been unable
 to secure the necessary funds to carry
 out its policy of non-interference.



line Dion in back-to-front Dior
ature. Very modern; the tux is a
od alternative to the cream puff



Tyler chose dusty lilac over pink (the colour of the Oscar statuette) and looks less sugary for it

Jana Thurman in her hugely successful *Wild at Heart* Prada-Pulp Fiction dress of 1995, considered a fashion triumph for being unexpected (Prada was not known for evening clothes) and quietly glamorous. (The dress was recently auctioned at Christie's *Unforgettable: Fashion of the Oscars* sale of dresses to benefit AIDS research – it sold for \$9,200.)

That year's most stylish and muse-like nominees Gwyneth Paltrow and Cate Blanchett – were wooed by several designers at once and, as is customary, they had more than one Oscar-night outfit prepared for them. In 1996, instead of wearing the dress Vera Wang had designed for her, Sharon Stone famously showed up in a plain black Gap T-shirt paired with trumpet skirt by Valentino and a silk Armani coat, which she herself had put together at the last minute a star's prerogative.

Getting their clothes in front of the Oscar-night cameras may be worth \$1m worth of advertising –



Paul **Barbra Streisand.** Back in the
ier **1970s,** a girl could get away with
r clash **transparent pyjamas. Fabulous**

the cost of a 30-second spot on the show – but the designers have paid in other ways, throughout the year, for that privilege.

A West Coast infrastructure of publicists and representatives, planted by European designers, now cultivates actors' and stylists' attention to ensure product placement. Designers spend as much as \$400,000-\$600,000, according to Patrick McCarthy, editorial director of *W* magazine, making Oscar-potential clothes available for viewing and borrowing for the big night. Valentino, Calvin Klein and Escada, among others, customise gowns for stars – now a prerequisite for Awards nominees.

Los Angeles did not become a fashion destination until the late Eighties, when Giorgio Armani stealthily launched a coup on Hollywood. By then, fashion designers born of the ready-to-wear boom of the Seventies had acquired enough financial clout and star status of their own to play Hollywood's game. Leaving nothing to chance as he built up a West Coast retail operation, Armani cultivated the right social contacts by hiring Wanda McDaniel, the wife of a producer on *The Godfather*, as his publicist. She remains the linchpin of his West Coast operation. His *Godfather* connection dates from 1982, when Jay Cox, a childhood friend of Martin Scorsese and Robert De Niro, wrote a *Time* magazine cover story on Armani; subsequently all these people became friends.

More seductive than his personal charms, however, Armani's clothes made actors an offer they couldn't refuse: they promised to keep the wearer from looking ridiculous. As a result, he maintained monopoly on costumeing the Oscar presenters for white – until Versace, Dolce & Gabbana et al gained some ground.

Simultaneous to Armani's beachhead, Alan Carr, then the producer of the Awards ceremony, decided that the show could do with a fashion make-over. Seven years ago he asked Fred Hayman, retailer of the recently defunct Emporium Fied Hayman of Beverly Hills, and creator of *Giorgio perfume*, to select Oscar-worthy clothes from European and American collections and make them available on loan to presenters and nominees. At the time, says Hayman, "the fashion being worn was boring and uninteresting to the Oscars". Hayman is still the official co-ordinator of Oscar fashion, even if he has now become somewhat eclipsed by the star designers and their media machinery, and he continues to stage a large, pre-Oscar fashion show for the press, and to display and lend clothes to presenters and nominees. This year he attempted to ban black favour of "princess" pastel tones.

The object is to look like a confection that the camera could devour – with tulle underskirts and shoulder wraps, ballerina skirts, beaded tops and delicate colours. The trouble with the new prettiness, say fashion-lovers, is that it doesn't allow for extremes. Rita Watnick, owner of the vintage couture shop Lilly et Cie, where stars often shop for the Oscars and other awards events, observes: "Sometimes when you look back, the person you think was not well-dressed may have looked great and been trying something fabulous." Criticised for bearing cycling shorts one year, beneath a black velvet bustier and skirt, Demi Moore was apparently making a statement in fashion-speak, "inspired from the Renaissance and empire period. It was fabulous," Watnick says. Entertainment, yes – but the media just wasn't ready for it.

Why Irish culture leads by a head

In just a few decades Ireland, once almost a byword for parochialism, has become a world-beating brand name in contemporary music, film, theatre, comedy and literature. How did this happen? By Phil Johnson

On the Saturday before last, more than 250,000 people filled Dublin's city centre for what was billed as Europe's biggest ever fireworks display. The event, which was part of the city's week-long St Patrick's Festival and followed on from a grand unveiling of the Millennium Big Drum (the biggest drum in the world), could be seen as a moment of triumphalism for Irish culture. In Ireland these days, however, triumphalism is hard to avoid, for signs of the country's cultural resurgence are everywhere.

After the fireworks, revellers could go home and watch an RTE broadcast of the chart-topping Irish pop group The Corrs at the Albert Hall, or stop off at one of the dozens of city centre pubs that feature traditional music. In the teeming bars of the Temple Bar district - which locals say is being ruined by the incursions of rowdy English stag-parties - Dublin has even created its own version of New Orleans' French Quarter, where tourists can enjoy a kind of Celtic theme-park experience.

The incredible success of The Corrs - whose second album has sold more than three million copies in the UK alone, and pulled their debut recording into the charts along with it - is just the latest chapter in the remarkable story of Irish popular music's rise to international fame. For two decades now, from U2 to Boyzone, with the Cranberries fitting in between, a small country whose pop traditions once amounted to little more than a baffling weakness for showbands has become a world leader.

Add to this the revival of all things Celtic, including "traditional" music in various forms, the Riverdance phenomenon and the continued success of Irish film-making, comedy, literature and theatre, and the swaggering confidence of the St Patrick's Festival can begin to be understood. Even without considering the dubious benefits of the Irish theme-pub craze, where putting a bran-tub in the window and having a couple of workaday musicians sing "Brown-Eyed Girl" every other night is suf-



The luck of the Irish: Father Ted and The Corrs



ficient to create a mythic version of a County Clare hostelry, there's no denying that all things Irish have become more popular than ever before in the UK and abroad. Despite this success, there are still murmurs of dissatisfaction at home. On the same day as the fireworks show, Dublin's Evening Herald newspaper included a front-page story complaining that the contenders for the Irish entry in this year's Eurovision Song Contest were not up to scratch. There were accusations that RTE was deliberately staging a "pathetic" EuroSong because the station did not want to win yet again.

It's against this background that "From the Heart", the Barbican Centre's second festival of Irish music and culture, takes place. Over the next two weekends there are concerts and events covering music, dance, literature, comedy and film, together with a series of workshops and lectures. Its focus has also widened to include the traditions of Northern Ireland, with Seamus Heaney reading his poetry (accompanied by the uilleann piper Liam O'Flynn), and songs and stories from the legendary folk-revivalist Tommy Makem with Davy Hammond and Arty McGlynn.

For Ted Barrington, Ireland's Ambassador to Great Britain, the reasons behind the rise of Irish music and culture are many and varied. "On the musical front, a complex of things have contributed to international success," he says. "On the one hand, there's a long, vernacular, tradition of music in Irish life, and not just

in high-kick life, but in the day to day practice of music at home and in local communities. The influence of Irish traditional music also fed into the culture in the Sixties, along with the examples of American musicians like Bob Dylan, and the indigenous showband scene, which was a rural phenomenon. The cross-fertilisation between all these categories has been hugely important."

Contemporary Irish music also reflects widespread changes in Irish society, where half of the population is now under 30, and almost a third under 25. "The degree of social change taking place, partly through demography, has meant that along with youth culture has come a climate of experimentation and the working-out of ideas about what it means to live in Ireland today," says Barrington. "In the Seventies and Eighties, there was a huge outflow of emigrants, but now more people are returning than leaving, especially from the USA and Canada, and they bring an international pop culture back with them."

For the social historian Reg Hall, however, Irish music isn't what it was. Hall is giving an illustrated lecture at the Barbican on Saturday entitled "Paddy in the Smoke", which will look at the heyday of Irish music in London in the Fifties and Sixties. "The music in the pub scene of London then was a transplantation of rural music from the West of Ireland, and it began after the war as a new phenomenon, for traditional music was never

played in Irish pubs at that time," Hall says.

"What you had then was tens of thousands of Irishmen living in London, mostly from the rural West and South. As mainly labourers working on the building sites, they evolved a whole social system in the Irish settlements of Kilburn, Paddington, Kenish Town and Dalston, and also in Hammersmith and Fulham, where they colonised run-down pubs. In those days, none of the Irish professionals working for Aer Lingus or the Irish banks would be seen dead there, for they regarded the musicians as louts. It was instrumental music, with fiddle, flute and accordion, and piano and drums added if it was a dance. There was no guitar; never mind a bouzouki, and the name "bodhran" hadn't even been coined. It was still a tambourine."

For Hall, the tradition of Irish music is comparable to that of American blues, with both forms suffering a similar dilution of their original power through commercialisation. "The original gutsy music that the Irish played was like Blind Lemon Jefferson or Leadbelly. Now, Irish music has been taken up by the middle-classes both at home and abroad and you can even go on Irish set-dancing holidays in Spain."

Hall is not nostalgic about the past, however. "The tradition of Irish music in London has been lost because the environment for it has gone," he says. "It couldn't survive once everyone was settled in houses, got married and had kids and stopped going to the pub every night. As a historian, I realise it was inevitable, and it's like the Great War: you might want to study it, but that doesn't mean you want it back."

From the Heart is at the Barbican, London EC2 (0171-638 8891) 27-28 Mar and 3-5 Apr

Feed me till I want no more

HANSEL & GRETEL is about forests and witches, step-mothers and (at least in Humperdinck's opera) angels. But chiefly it's about food and cookery - Hansel probably ranks with Oliver Twist as the hungriest boy since the Prodigal Son. So Richard Jones is bang right to feed his chefs and tables and plates and, above all, mouths, in his production for Welsh National Opera.

He and his designer John Macfarlane make stunning capital out of this perhaps obvious theme. The grey Mother Hubbard emptiness of the family's kitchen triggers off the hungry fantasies of a dream sequence in which the children understandably see cooks and a fish-footman instead of angels, and Humperdinck's cloud-staircase turns into a fully laid dinner table. The drop curtains, a knife, fork and empty blood-

OPERA
HANSEL & GRETEL
NEW THEATRE
CARDIFF

stained plate, and a cavernous open mouth, uterine but with teeth, form a ghastly prelude to the still hungrier menace of the witch's kitchen - all steel gadgets, and by no means innocent of a quite different sort of physical need.

But if all this is supposed to tell us that starving in a primeval forest is merely a symbol of sexual awakening, the point is mercifully not laboured. On the contrary, Imelda Staunton (Hansel) and Linda Kitchen (Gretel) make a pair of superbly gangly, unself-aware 11-year-olds. They are fresh, awkward, slightly wild in their clapping games and touchingly wide-eyed, as the chef-angels conduct them

to either end of the festive board. And when it comes to cooking supper for the witch - a ghoulishly masculine, vestigially paedophile cameo by Nigel Robson, the youngsters are childishly practical, perhaps remembering their mother's admonitions from act one.

This dazzling treatment is not without its musical problems. It's as well that the action is self-explanatory, since few words of David Pountney's witty translation reach the dress circle. And though Humperdinck - with his relish for orchestral in-fill and his Wagnerian love of horns and middle-range strings - always challenges vocal projection, the conductor Vladimir Jurowski could do more to ease the problem. In the end a tenor witch is a musical error, since the orchestra covers the register he inhabits.

Nonetheless, this is musi-

cally as well as theatrically an invigorating evening. Kitchen and Drumm - though their names sound like a percussion co-operative - sing with appealing warmth and delicacy. Robert Poulton brings a certain drunken intensity to their father's account of the witch-infested forest, and Mary Lloyd-Davies is a strong mother who one could wish had more to sing.

Mary-Louise Aitken plays the Dew Fairy, a shade modishly, as the morning washer-up. The gingerbread children, from the Giant's Welsh Comprehensive School, sing sweetly, and Jurowski has the virtues of his excess strength, getting sumptuous orchestral playing and a solid ensemble.

STEPHEN WALSH
Birmingham Hippodrome to-morrow (0121-622 7486) and touring to 15 April. Information from WNO (01222 464666)

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winsome surface of Schubert's A major Sonata, D664 and, understandably, sounded unsettled in the opening movement. Yet he was very natural in Schubert's six Impromptus. Some pianists would have relaxed into them and projected character more broadly. Yet Tharaud's disciplined view allowed them to be tender and touching and he was quite vigorous, though not very fast, in the penultimate piece.

His programme was nicely planned, not too long, and he ended with four of Chabrier's pieces pittoresques. These elusive but much admired pieces refuse to do what you expect, and it's a self-effacing pianist

that plays them, though Tharaud chose the rollicking "Scherzo-valse" to end, so he was pretty sure of a good round of applause.

Not surprisingly, since she's far more experienced than either of the young Frenchmen, Imogen Cooper showed much more complete awareness of the expressive depths, as well as the formal significance, of everything she played at the Queen Elizabeth Hall on Sunday afternoon. She is not necessarily a better equipped pianist in a technical sense - there was a degree of vulnerability and her tone could be brittle under pressure - yet she met the challenge of the final section in Chopin's fourth Ballade with fearless bravura. And while she did nothing exactly ravishing in the Scherzo or slow movement of Chopin's B minor Sonata, she had clearly planned the whole work as a

journey, and shaped the finale with as much attention to detail and certainty of purpose as any pianist I can recall.

She also showed a vivid feeling for atmosphere and colour in Debussy's *Estampes*, in which the piano dissolves in suggestions of a gamelan, or guitars, or the sound of rain. And in four pieces from Albeniz's *Iberia*, she relished dissonant crunches and incisive rhythms with infectious enjoyment. What's more, she negotiated the unplayably far-fung textures of "El Corpus en Sevilla" stylishly.

In Debussy's *L'Isle joyeuse* it's always hard to escape the feeling of a succession of technical hurdles (Ravel criticised it for sounding like a transcription of an orchestral piece), but if Cooper was a little short of its final sense of abandon, she got pretty close. ADRIAN JACK

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Wilde at heart

THEATRE
GROSS INDECENCY
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TO CAST Michael Pennington as Oscar Wilde would, on the grim face of it, seem about as sensible as hiring a cactus to pose as an overripe melon or engaging Stephen Fry to create a definitive Oliver Cromwell. Playing Wilde now at the Gielgud Theatre, Pennington does, indeed, often give the impression that here is a man who would have been happier penning and improving a Temperance tract than in composing *The Picture of Dorian Gray*.

What is heartening is how little this matters, for the arrangement of the material is so intelligent and compelling, and the Brechtian presentational style adopted is so apt and penetrating, that *Gross Indecency: The Trials of Oscar Wilde* triumphantly rises above the rather empty exhibition of acting skill at its centre.

A big hit in New York, this play by Moises Kaufman now arrives in London in a fluent, incisive production by its author. The present tense of this ar-

resting drama may take a chronological journey through Wilde's successive courtroom ordeals from the disastrously rebounding libel suit against the Lord Queensberry to the final conviction. The excellence of the piece, though, lies in the way Kaufman opens it up with flashbacks and flashes-forward that produce telling juxtapositions and discordances, and with running cultural commentaries from then and now. The event is like a cross between courtroom drama and a fascinating kinetic mosaic produced by some cultural studies department. Fractured and increasingly phantasmagoric, with the cast transformed into our contemporaries, the play has found the perfect form for encompassing Wilde in all his complex contradictoriness and

tantalising capacity to anticipate modern preoccupations.

He is, for example, an ambiguous icon for the modern gay movement in that, at his trial, he flatly denied his homosexual activities. It's typical of *Gross Indecency* that it addresses this issue by including a spoof interview with a trendy academic who floats the interesting notion that ironically, but for this trial, there might not be a modern gay movement since it was the original, for good and bad, of people being defined and defining themselves by their sexuality and it fixed in the public mind a limiting definition of what a homosexual is. It's possible that, with his love of perverse, pointed paradox, Wilde would have thought the phrase "gay liberation" a contradiction in terms. It's the strength of *Gross Indecency* that it airs these nebulous problems of identity at the same time as pinning down the disgusting politics behind Wilde's suffering. The play movingly shows how



Michael Pennington as Oscar Wilde

Geraint Lewis

he was used as a lightning conductor to deflect attention from a Liberal Government itself rife with what, in their cases, one might call the lust that dared not speak its name.

Superbly played, the unedifying line-up of male prostitutes who were paid by the Crown to

give evidence against Wilde (bribes ironically more corrupting than any Oscar pressed on them) also double as jury-men, narrators, female whores and dignitaries such as George Bernard Shaw and Frank Harris. Occasionally, they remind you of Esther Rantzen's young

male co-presenters on the late, unlamented *That's Life*. In fact, all this play lacks is a "funny" phallic vegetable.

PAUL TAYLOR
Booking: 0171-494 5063. A version of this review appeared in later editions of yesterday's paper